

Kareeberg

MUNICIPALITY

[These financial statements have not been audited]

FINANCIAL STATEMENTS

30 JUNE 2010

KAREEBERG LOCAL MUNICIPALITY

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18 August 2010

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KAREEBERG LOCAL MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

GENERAL INFORMATION

NATURE OF BUSINESS

Kareeberg Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)

COUNTRY OF ORIGIN AND LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

JURISDICTION

The Kareeberg Municipality includes the following geographical areas:

Carnarvon

Vosburg

Vanwyksvlei

MAYOR

Mr B.J.E. Sambee

MUNICIPAL MANAGER

Mr Z.E. Dingile

18 August 2010

CHIEF FINANCIAL OFFICER

Mr. P.B. Rossouw

REGISTERED OFFICE

*Hanau Street,
CARNARVON,
9825*

AUDITORS

*Office of the Auditor General (NC)
McDougal Street,
Kimberley, 8301*

PRINCIPLE BANKERS

ABSA, Victoria Street, Carnarvon

ATTORNEYS

None

RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)
Division of Revenue Act
The Income Tax Act
Value Added Tax Act
Municipal Structures Act (Act no 117 of 1998)
Municipal Systems Act (Act no 32 of 2000)
Municipal Planning and Performance Management Regulations
Water Services Act (Act no 108 of 1997)
Housing Act (Act no 107 of 1997)
Municipal Property Rates Act (Act no 6 of 2004)
Electricity Act (Act no 41 of 1987)
Skills Development Levies Act (Act no 9 of 1999)
Employment Equity Act (Act no 55 of 1998)
Unemployment Insurance Act (Act no 30 of 1966)
Basic Conditions of Employment Act (Act no 75 of 1997)
Supply Chain Management Regulations, 2005
Collective Agreements
SALBC Leave Regulations

KAREEBERG LOCAL MUNICIPALITY

MEMBERS OF THE KAREEBERG LOCAL MUNICIPALITY

WARD	COUNCILLOR
1	Ms E. Jann
2	Ms D. van Wyk
3	Ms V. Smith
4	Mr N.I. Titus
Proportional	Mr B.J.E. Slambee
Proportional	Ms M.L.M. Adams
Proportional	Mr G. van Tonder

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 68 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

Mr Z.E. Dingile
Municipal Manager

18 August 2010
Date

KAREEBERG LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2010

	Notes	2010 R	2009 R
NET ASSETS AND LIABILITIES			
Net Assets		59 166 148	56 995 038
Capital Replacement Reserve	2	11 347 812	11 347 812
Housing Development fund	2	362 183	757 374
Revaluations Reserve	2	54 958	40 408
Accumulated Surplus/(Deficit)		47 401 195	44 849 445
Non-Current Liabilities		4 141 026	3 168 960
Employee benefits	4	4 141 026	3 168 960
Current Liabilities		15 238 199	21 905 445
Consumer Deposits	5	225 179	208 504
Current Employee benefits	6	689 157	526 255
Trade and other payables	7	527 960	3 102 996
Unspent Conditional Government Grants and Receipts	8	13 137 581	16 040 469
Taxes	9	658 322	1 969 476
Current Portion of Long-term Liabilities	3	-	57 746
Total Net Assets and Liabilities		78 545 373	82 069 443
ASSETS			
Non-Current Assets		47 053 353	44 347 932
Property, Plant and Equipment	10	46 981 790	44 276 782
Intangible Assets	12	5 191	864
Long-Term Receivables	13	66 371	70 286
Current Assets		31 451 104	37 721 003
Trade Receivables from exchange transactions	14	2 050 755	2 603 465
Other Receivables from non-exchange transactions	15	130 676	-
Operating Lease Asset	16.1	9 038	6 690
Current Portion of Long-term Receivables	13	8 360	8 032
Cash and Cash Equivalents	17	29 252 274	35 102 815
Total Assets		78 504 457	82 068 935

KAREEBERG LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2010

	Notes	2010 (Actual) R	2009 (Actual) R
REVENUE			
Revenue from Non-exchange Transactions		21 718 523	39 984 939
Taxation Revenue		3 892 838	2 688 654
Property taxes	18	3 892 838	2 688 654
Transfer Revenue		17 803 112	37 107 979
Government Grants and Subsidies - Capital	19	5 205 223	17 267 755
Government Grants and Subsidies - Operating	19	12 597 889	19 669 494
Public Contributions and Donations		-	170 730
Other Revenue		22 573	188 306
Actuarial Gains		-	56 253
Third Party Payments		3 384	118 200
Fines		19 189	13 853
Revenue from Exchange Transactions		15 138 051	12 404 358
Property Rates - Penalties & Collection Charges		204 870	-
Service Charges	20	11 759 682	10 159 600
Rental of Facilities and Equipment		446 335	421 401
Interest Earned - external investments		1 743 469	1 667 689
Interest Earned - outstanding debtors		4 336	7 086
Licences and Permits		17 837	25 665
Agency Services		96 122	88 345
Other Revenue	21	860 956	30 021
Unamortised discount - Interest	22	4 445	4 552
Total Revenue		36 856 574	52 389 297
EXPENDITURE			
Employee related costs	23	10 045 627	8 095 366
Remuneration of Councillors	24	1 273 038	1 024 365
Debt Impairment	25	894 743	-
Depreciation and Amortisation		2 544 118	1 470 316
Impairments	26	15 874	120 368
Repairs and Maintenance		453 474	677 175
Actuarial losses	4	702 817	-
Finance Charges	27	290 205	349 973
Bulk Purchases	28	3 690 256	2 772 497
Grants and Subsidies Paid	29	5 733 259	4 324 209
Other Operating Grant Expenditure		5 369 922	13 692 049
Unamortised discount - Interest	22	21 097	9 911
General Expenses	30	3 662 486	2 716 513
Total Expenditure		34 696 915	35 252 742
Operating Surplus for the Year		2 159 659	17 136 556
Loss on disposal of Property, Plant and Equipment/Investment Property		(3 100)	(1 135)
Gain on disposal of Property, Plant & Equipment/Investment Property		-	36 484
NET SURPLUS/(DEFICIT) FOR THE YEAR		2 156 559	17 171 904

KAREEBERG LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2010

	Government Grant Reserve	Revaluations Reserve	Housing Development Fund	Capital Replacement Reserve	Capitalisation Reserve	Accumulated Surplus/ (Deficit)	Total
	R	R	R	R	R	R	R
Balance at 1 JULY 2008	23 970 647	-	805 497	10 754 503	499 893	6 357 113	42 387 653
Change in accounting policy - See Note 31.08	(23 970 647)	-	-	-	-	-	(23 970 647)
Change in accounting policy - See Note 31.06	-	-	-	-	(499 893)	-	(499 893)
Change in accounting policy - See Note 31.09	-	-	-	-	-	21 865 614	21 865 614
Restated Balance at 1 JULY 2008	-	-	805 497	10 754 503	-	28 222 726	39 782 726
Net Surplus/(Deficit) for the year	-	-	-	-	-	17 171 904	17 171 904
Transfer from CRR	-	-	-	593 308	-	(593 308)	-
Revaluation of Property, Plant and Equipment	-	39 900	-	-	-	-	39 900
Transfer to Housing Development Fund	-	-	(48 122)	-	-	48 122	-
Balance at 30 JUNE 2009	-	18 August 2010	757 374	11 347 812	-	44 849 445	56 994 530
Restated Balance at 1 JULY 2009	-	40 408	757 374	11 347 812	-	44 849 445	56 994 530
Net Surplus/(Deficit) for the year	-	-	-	-	-	2 156 559	2 156 559
Revaluation of Property, Plant and Equipment	-	14 550	-	-	-	-	14 550
Transfer to Housing Development Fund	-	-	(395 191)	-	-	395 191	-
Balance at 30 JUNE 2010	-	54 958	362 183	11 347 812	-	47 401 195	59 165 640

KAREEBERG LOCAL MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2010

	Notes	2010 R	2009 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other - Exchange Transactions		13 914 252	31 483 782
Cash receipts from ratepayers, government and other - Non-Exchange Transactions		17 838 672	21 010 244
Cash payments to suppliers and employees		(32 397 491)	(50 875 888)
Cash receipts and payments on VAT transactions		(1 311 154)	142 550
Cash generated/(absorbed) by operations	33	(1 955 720)	1 760 687
Interest Received		1 747 805	1 667 689
Interest Paid		(290 205)	(349 973)
Net Cash from Operating Activities		(498 120)	3 078 403
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment		(5 291 969)	(17 716 449)
Proceeds on Disposal of Fixed Assets		-	55 549
Purchase of Intangible Assets		(6 316)	-
(Increase)/Decrease in Assets held for sale		-	2 026
Net Cash from Investing Activities		(5 298 285)	(17 658 874)
CASH FLOW FROM FINANCING ACTIVITIES			
New loans raised		-	-
New loans (repaid)		(78 843)	(170 619)
(Increase)/Decrease in Long-term Receivables		8 032	7 718
Increase/(Decrease) in Consumer Deposits		16 675	14 905
Net Cash from Financing Activities		(54 135)	(147 996)
NET INCREASE/(DECREASE) IN CASH AND CASH-EQUIVALENTS		(5 850 541)	(14 728 467)
Cash and Cash Equivalents at the beginning of the year		35 102 815	49 831 282
Cash and Cash Equivalents at the end of the year	34	29 252 274	35 102 815
NET INCREASE/(DECREASE) IN CASH AND CASH-EQUIVALENTS		(5 850 541)	(14 728 467)

ACCOUNTING PRINCIPLES AND POLICIES NOTES APPLIED IN THE FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

These annual financial statements have been prepared in accordance with Directive 5 “Determining the GRAP Reporting Framework”, issued by the Accounting Standards Board.

The standards are summarised as follows:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	The Effects of changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associate
GRAP 8	Interests in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economics
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events after the reporting date
GRAP 16	Investment Property
GRAP 17	Property, Plant and Equipment (PPE)
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 100	Non-Current Assets Held for Sale and Discontinued Operations
GRAP 101	Agricultural
GRAP 102	Intangible assets
IPSAS 20	Related Party Disclosure
IFRS 3 (AC140)	Business Combinations
IFRS 4 (AC141)	Insurance Contracts
IFRS 6 (AC143)	Exploration for and Evaluation of Mineral Resources
IFRS 7 (AC144)	Financial Instruments: Disclosure
IFRS 12 (AC102)	Income Taxes

IFRS 19 (AC116)	Employee Benefits
IFRS 32 (AC125)	Financial Instruments: Presentation
IFRS 39 (AC133)	Recognition and Measurement
SIC – 20 (AC421)	Income Taxes – Recovery of Revaluated Non-Depreciable Assets
SIC – 25 (AC425)	Income Taxes – Changes in the Tax Status on an Entity or its Shareholders
SIC – 29 (AC429)	Service Concessions Arrangements – Disclosures
IFRIC 2 (AC435)	Members' Shares in Co-operative Entities and Similar Instruments
IFRIC 4 (AC437)	Determining whether an Arrangement contains a Lease
IFRIC 9 (AC442)	Reassessment of Embedded Derivatives
IFRIC 12 (AC445)	Service Concession Arrangements
IFRIC 13 (AC446)	Customer Loyalty Programmes
IFRIC 14 (AC447) IAS19	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IFRIC 15 (AC448)	Agreements for the Construction of Real Estate
IFRIC 16 (AC449)	Hedges in a Net Investment in a Foreign Operation

Accounting policies for material transactions, events or conditions not covered by the above GRAP have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3.

A summary of the significant accounting policies, which have been consistently applied except where an exemption or transitional provision has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the Financial Statements.

In terms of Directive 4: "Transitional Provisions for Medium and Low Capacity Municipalities" issued by the Accounting Standards Board the municipality has adopted the transitional provisions for the following GRAP Standards:

GRAP 12 – Inventories
GRAP 16 – Investment Property
GRAP 17 – Property, Plant and Equipment
GRAP 19 – Provisions, Contingent Liabilities and Contingent Assets
GRAP 100 – Non-current Assets Held for Sale and Discontinued Operations
GRAP 102 – Intangible Assets

1.2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. No financial values are given in an abbreviated display format. No foreign exchange transactions are included in the statements.

1.3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

1.4. COMPARATIVE INFORMATION

Budget information in accordance with GRAP 1, has been provided in an annexure to these financial statements and forms part of the audited annual financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 18	Segment Reporting
GRAP 21	Impairment of non-cash-generating assets
GRAP 23	Revenue from Non-Exchange Transactions (Taxes and Transfers)
GRAP 24	Presentation of Budget Information in Financial Statements
GRAP 26	Impairment of cash-generating assets
GRAP 103	Heritage Assets

1.6. RESERVES

1.6.1 Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus / (deficit) to the CRR according to the Funding and Reserve Policy. The cash in the CRR can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus / (Deficit) are credited by a corresponding amount when the amounts in the CRR are utilized.

1.6.2 Housing Development Fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from National and Provincial Government, used to finance housing selling schemes undertaken by the Municipality, were extinguished on 1 April 1998 and transferred to the Housing Development Fund. Housing selling schemes, both completed and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income, interest and sale of houses, must be paid into the Housing Development Fund.

Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial Department responsible for housing.

1.6.3 Revaluations Reserve

The accounting for the Revaluation Reserve must be done in accordance with the requirements of GRAP 17.

All increases in the carrying value of assets as a result of a revaluation of game are credited against the reserve, except to the extent that the increase reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

All decreases in the carrying value of assets as a result of a revaluation of game are debited against the reserve to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

1.7. LEASES

1.7.1 Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease.

1.7.2 Municipality as Lessor

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

1.8. UNSPENT CONDITIONAL GRANTS

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's income it is recognised as interest earned in the Statement of Financial Performance.

1.9. PROVISIONS

Provisions are recognised when the municipality has a present legal or constructive obligation as a result of past events, it is possible that an outflow of resource embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is possible.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The municipality has a detailed formal plan for the restructuring identifying at least:
 - the business or part of a business concerned;
 - the principal locations affected;
 - the location, function and approximate number of employees who will be compensated for terminating their services;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented.
- (b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date.

Provisions shall be reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision shall be reversed.

1.10. EMPLOYEE BENEFITS

(a) *Post Retirement Medical obligations*

The municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 70% as contribution and the remaining 30% are paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with IAS 19 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan (benefit) is unfunded.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The unrecognised liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

(b) *Accrued Leave Pay*

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the basic remuneration of the employee.

1.11. PROPERTY, PLANT AND EQUIPMENT

1.11.1 *Initial Recognition*

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

1.11.2 Subsequent Measurement – Revaluation Model

Subsequent to initial recognition, Property, Plant and Equipment are carried at a revalued amount, unless otherwise stated in the relevant Notes to the Financial Statements, being its fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

1.11.3 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

1.11.4 Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual depreciation rates are based on the following estimated useful lives

	Years		Years
<u>Infrastructure</u>		<u>Other</u>	
Roads and Paving	30	Buildings	30
Pedestrian Malls	30	Specialist vehicles	10
Electricity	20-30	Other vehicles	5
Water	15-20	Office equipment	3-7
Sewerage	15-20	Furniture and fittings	7-10
Housing	30	Watercraft	15
		Bins and containers	5
<u>Community</u>		Specialised plant and Equipment	10-15
Buildings	30	Other plant and Equipment	2-5
Recreational Facilities	20-30	Landfill sites	15
Security	5	Quarries	25
Halls	20-30	Emergency equipment	10
Libraries	20-30	Computer equipment	3
Parks and gardens	15-20		
Other assets	15-20		
<u>Heritage assets</u>			
No depreciation			
<u>Finance lease assets</u>			
Office equipment	3		
Other assets	5		

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment charged to the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

1.11.5 De-recognition

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.12. INTANGIBLE ASSETS

1.12.1 Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or

- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

1.12.2 Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

1.12.3 Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

<u>Intangible Assets</u>	<u>Years</u>
Computer Software	3

1.12.4 De-recognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The

gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.13. INVESTMENT PROPERTY

1.13.1 Initial Recognition

Investment property shall be recognised as an asset when, and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and
- the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

The cost of self-constructed investment property is the cost at date of completion.

1.13.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

1.13.3 Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

<u>Investment Property</u>	<u>Years</u>
Buildings	30

1.13.4 De-recognition

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.14. NON-CURRENT ASSETS HELD FOR SALE

1.14.1 Initial Recognition

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

1.14.2 Subsequent Measurement

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

1.15. IMPAIRMENT OF NON-FINANCIAL ASSETS

The municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the municipality estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the municipality estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement.

1.16. INVENTORIES

1.16.1 Initial Recognition

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

1.16.2 Subsequent Measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the weighted average method.

1.17. FINANCIAL INSTRUMENTS

Financial instruments recognised on the balance sheet include trade and other receivables, cash and cash equivalents, annuity loans and trade and other payables.

1.17.1 Initial Recognition

Financial instruments are initially recognised when the municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability

1.17.2 Subsequent Measurement

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to-maturity, loans and receivables, or available for sale. Financial Liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

1.17.2.1 Investments

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairments and is calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance. The balance as at 30 June included accumulated interest.

1.17.2.2 Trade and Other Receivables

Trade and other receivables are classified as loans and receivables, and are subsequently measured at amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the income statement.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

1.17.2.3 Trade Payables and Borrowings

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

1.17.2.4 Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks (cash book balance). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

1.17.3 De-recognition of Financial Instruments

1.17.3.1 Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the municipality has transferred substantially all the risks and rewards of the asset, or (b) the municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the municipality's continuing involvement is the amount of the transferred asset that the municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

1.17.3.2 Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and

the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

1.17.4 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

1.18. REVENUE

1.18.1 Revenue from Non-Exchange Transactions

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Fine Revenue constitutes both spot fines and summonses. Revenue from spot fines and summonses is recognised based on an estimation of future collections of fines issued based on prior period trends and collection percentages.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue shall be measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of

the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

1.18.2 Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered/ goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse points per property.

Service charges relating to sewerage are recognised on a monthly basis in arrears by applying the approved tariff. Tariffs are determined per category.

Service charges from sewerage are based on a basic charge as per Council resolution.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Revenue shall be measured at the fair value of the consideration received or receivable.

The amount of revenue arising on a transaction is usually determined by agreement between the entity and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue and in accordance with the relevant Standards of GRAP on Financial Instruments.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

1.18.3 Grants, Transfers and Donations (Non-Exchange Revenue)

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

1.19. RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. It includes full-time councillor, being the Mayor. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

1.20. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.21. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.22. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.23. CONTINGENT LIABILITIES

All known contingent liabilities are reflected in the financial statements.

1.24. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

Operating lease commitments – the Municipality as lessor

The Municipality has entered into commercial property leases on its investment property portfolio. The Municipality has determined that it retains all the significant risks and rewards of ownership of these properties, and so accounts for them as operating leases.

Medical and other post-employment benefits

The cost of defined benefit plans and other employment medical benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future medical increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Impairment of trade receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

Property, plant and equipment

The useful lives of assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's

judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Provisions and contingent liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the effect of discounting is material using actuarial valuations.

Revenue Recognition

Accounting Policy 1.19.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.19.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GAMAP 9: Revenue, as far as Revenue from Non-Exchange Transactions is concerned (see Basis of Preparation note 1.19 above). Specifically, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.25. TAXES – VALUE ADDED TAX

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

1.26. AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements.

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

2	NET ASSET RESERVES	2010	2009
		R	R
	RESERVES	11 347 812	12 145 594
	Capital Replacement Reserve	11 347 812	11 347 812
	Housing Development fund	362 183	757 374
	Revaluations Reserve	54 958	40 408
	Total Net Asset Reserve and Liabilities	11 347 812	12 145 594
3	LONG TERM LIABILITIES	2010	2009
		R	R
	Annuity Loans - At amortised cost 18 August 2010	-	78 843
		-	78 843
	Less: Current Portion transferred to Current Liabilities	-	57 746
	Annuity Loans - At amortised cost	-	78 843
	Unamortised charges on loans	-	(21 097)
		-	21 097
	Plus: Unamortised charges on loans	-	(21 097)
	Balance 1 July	(21 097)	(31 008)
	Adjustment for the period	21 097	9 911
	Total Long-term Liabilities - At amortised cost using the effective interest rate method	-	-
	One DBSA annuity loan at amortised cost is calculated at 3% interest rate, with a maturity date of 30 December 2009.		
	Liabilities are secured by the following property, plant and equipment.		
	3 Cabstar pickup trucks	-	422 655
	1 Isuzu Sewerage truck	-	392 736
		-	815 391
		2010	2009
		R	R
	The obligations under annuity loans are scheduled below:		
		Minimum	
		annuity payments	
	Amounts payable under annuity loans:		
	Payable within one year	-	81 555
	Payable within two to five years	-	-
	Payable after five years	-	-
		-	81 555
	Less: Future finance obligations	-	(2 712)
	Present value of annuity obligations	-	78 843
	Refer to Appendix A for descriptions, maturity dates and effective interest rates of structured loans and finance.		
4	EMPLOYEE BENEFITS	2010	2009
		R	R
	Post Retirement Benefits - Refer to Note 4.1	4 141 026	3 168 960
	Total Non-current Employee Benefit Liabilities	4 141 026	3 168 960
		2010	2009
		R	R
	<u>Post Retirement Benefits</u>		
	Balance 1 July	3 291 474	2 961 818
	Contribution for the year	437 970	523 052
	Expenditure for the year	(131 767)	(137 143)
	Actuarial Loss/(Gain)	702 817	(56 253)
	Total post retirement benefits 30 June	4 300 494	3 291 474
	Less: Transfer of Current Portion - Note 6	(159 468)	(122 514)
	Balance 30 June	4 141 026	3 168 960
4	EMPLOYEE BENEFITS (CONTINUE)	2010	2009
		R	R
	<u>TOTAL NON-CURRENT EMPLOYEE BENEFITS</u>		
	Balance 1 July	3 291 474	2 961 818
	Contribution for the year	437 970	523 052
	Expenditure for the year	(131 767)	(137 143)
	Actuarial Loss/(Gain)	702 817	(56 253)
	Total employee benefits 30 June	4 300 494	3 291 474
	Less: Transfer of Current Portion - Note 6	(159 468)	(122 514)
	Balance 30 June	4 141 026	3 168 960

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

4.1 Post Retirement Benefits

The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:

In-service (employee) members	16	16
Continuation members (e.g. Retirees, widows, orphans)	6	6
Total Members	22	22

The liability in respect of past service has been estimated to be as follows:

In-service members	2 874 179	2 076 250
Continuation members	1 426 315	1 215 224
Total Liability	4 300 494	3 291 474

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

Hosmed
LA Health
Munimed - Key Health

The Municipality's Accrued Unfunded Liability at 30 June 2010 is estimated at R 4.300 million
The Current-service Cost for the year ending 30 June 2010 is estimated at R 150,477. It is estimated to be R 161,138 for the ensuing year.

Key actuarial assumptions used:

	2010 %	2009 %
i) Rate of interest		
Discount rate	9.09%	8.90%
Health Care Cost Inflation Rate	7.18%	7.50%
Net Effective Discount Rate	1.79%	1.30%

ii) Mortality rates

The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.

iii) Normal retirement age

The normal retirement age of employees is 65 for Males and 60 for females. It has been assumed that male in-service members will retire at age 64 and female in-service members retire at 59, which then allows for expected rates of early and ill-health retirement.

	2010 R	2009 R
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	4 300 494	3 291 474
Net liability/(asset)	4 300 494	3 291 474

The municipality has elected to recognise the full increase in this defined benefit liability immediately as per IAS 19, Employee Benefits, paragraph 155 (a).

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
4 EMPLOYEE BENEFITS (CONTINUE)		
Reconciliation of present value of fund obligation:		
Present value of fund obligation at the beginning of the year	3 291 474	2 961 818
Total expenses	306 203	385 909
Current service cost	150 477	208 499
Interest Cost	287 493	314 553
Benefits Paid	(131 767)	(137 143)
Actuarial (gains)/losses	702 817	(56 253)
Present value of fund obligation at the end of the year	4 300 494	3 291 474
Less: Transfer of Current Portion - Note 6	(159 468)	(122 514)
Balance 30 June	4 141 026	3 168 960

Sensitivity Analysis on the Accrued Liability

Assumption	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)
Central Assumptions	2.874	1.426	4.300

The effect of movements in the assumptions are as follows:

Assumption	Change	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Health care inflation	1%	3.387	1.525	4.912	14%
Health care inflation	-1%	2.455	1.337	3.792	-12%
Post-retirement mortality	-1 year	2.967	1.497	4.463	4%
Average retirement age	-1 year	3.126	1.426	4.552	6%
Withdrawal Rate	-50%	2.959	1.426	4.386	2%

	2010 R	2009 R
5 CONSUMER DEPOSITS		
Water & Electricity	225 179	208 504
Total Consumer Deposits	225 179	208 504

The fair value of consumer deposits approximate their carrying value. Interest is not paid on these amounts.

	2010 R	2009 R
6 CURRENT EMPLOYEE BENEFITS		
Current Portion of Post Retirement Benefits - Note 4	159 468	122 514
Staff Leave	529 689	403 741
Total Current Employee Benefits	689 157	526 255

The movement in current employee benefits are reconciled as follows:

	2010 R	2009 R
<u>Current Portion of Post Retirement Benefits - Note 4</u>		
Balance at beginning of year	122 514	122 836
Transfer from non-current	168 721	122 514
Expenditure incurred	(131 767)	(122 836)
Balance at end of year	159 468	122 514

Staff Leave

	2010 R	2009 R
Balance at beginning of year	403 741	311 372
Contribution to current protion	125 948	92 369
Balance at end of year	529 689	403 741

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave.

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

7	TRADE AND OTHER PAYABLES	2010 R	2009 R
	Trade Payables	440 481	3 037 526
	Payments received in advance	84 533	62 534
	Other Payables	2 946	2 936
	Total Trade Payables	527 960	3 102 996

Payables are being paid within 30 days as prescribed by the MFMA. Payables are being recognised net of any discounts.

8	UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS	2010 R	2009 R
	Unspent Grants	13 137 581	16 040 469
	National and Provincial Government Grants	13 137 581	16 040 469
	Total Conditional Grants and Receipts	13 137 581	16 040 469

See appendix "F" for reconciliation of grants from spheres of government. The Unspent Grants are cash-backed by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

9	TAXES	2010 R	2009 R
	VAT Payable	658 322	1 969 476
		658 322	1 969 476

VAT is payable on the receipts basis. Only once payment is received from debtors is VAT paid over to SARS.

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)		
Fully Depreciated assets still in use were as follows:		
Cost	75 232	75 232
Land and Buildings	-	-
Infrastructure	-	-
Community Assets	-	-
Lease Assets	-	-
Heritage	-	-
Other	75 232	75 232
Accumulated depreciation	(75 232)	(75 232)
Land and Buildings	-	-
Infrastructure	-	-
Community Assets	-	-
Lease Assets	-	-
Heritage	-	-
Other	(75 232)	(75 232)
Carrying value	-	-
Carrying value of assets retired from active use and held for disposal:		
Cost	-	-
Land and Buildings	-	-
Infrastructure	-	-
Community Assets	-	-
Lease Assets	-	-
Heritage	-	-
Other	-	-
Accumulated depreciation	-	-
Land and Buildings	-	-
Infrastructure	-	-
Community Assets	-	-
Lease Assets	-	-
Heritage	-	-
Other	-	-
Carrying value	-	-
Assets pledged as security:		
No assets are pledged as security.		
Third party payments received for losses incurred:		
Payments received (Excluding VAT)	3 384	118 200
Carrying value of assets written off/lost	(2 285)	(100 764)
Surplus/Deficit	1 099	17 437
Impairment of property plant and equipment		
Impairment charges on Property, plant and equipment recognised in statement of financial performance		
Land and Buildings	-	-
Infrastructure	444	1 529
Community Assets	347	-
Lease Assets	-	-
Revaluation	-	9 500
Other	15 084	109 339
	15 874	120 368

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Reconciliation of revaluation surplus:

Opening balance	39 900	-
Movement for the period	14 550	39 900
Closing balance	54 450	39 900

11 **NON-CURRENT ASSETS HELD FOR SALE**

	2010 R	2009 R
Non-current assets held for sale at beginning of year - at book value	-	2 026
Additions for the year	-	-
Non-current assets sold/written off during the year	-	2 026
Non-current assets held for sale at end of year - at book value	-	(2 026)

Exemptions taken according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities. Refer to Note 48.2

12 **INTANGIBLE ASSETS**

Computer Software

Net Carrying amount at 1 July

	2010 R	2009 R
Cost	1 421	1 421
Accumulated Amortisation	(557)	(107)
Acquisitions	6 316	-
Disposals	-	-
Impairments	-	-
Amortisation	(1 988)	(450)

Net Carrying amount at 30 June

	2010 R	2009 R
Cost	7 737	1 421
Accumulated Amortisation	(2 546)	(557)

Exemptions taken according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities. Refer to Note 48.4

The following material intangible assets are included in the carrying value above

Description	Remaining Amortisation Period	Carrying Value	
		2010 R	2009 R
None			

No intangible asset were assessed having an indefinite useful life.

There are no intangible assets whose title is restricted.

There are no intangible assets pledged as security for liabilities

There are no contractual commitments for the acquisition of intangible assets.

13 **LONG TERM RECEIVABLES**

Officials' Housing Loans - At amortised cost	104 018	112 051
Less: Unamortised Discount on Loans	(29 287)	(33 732)
Balance 1 July	(33 732)	(38 283)
Adjustment for the period	4 445	4 551
	74 731	78 319
Less: Current portion transferred to current receivables	(8 360)	(8 032)
Officials Housing Loans - At amortised cost	(8 360)	(8 032)
Less: Provision for Impairment of Long Term Receivables	66 371	70 286
	-	-
Total Long Term Receivables	66 371	70 286

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

STAFF HOUSING LOANS

Staff are entitled to housing loans which attract interest at 4% per annum and which are repayable over a maximum period of 20 years. When a employee resigns, the outstanding amount must be settled. These loans are secured since the Council is the bond holder.

	2010 R	2009 R
14 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Service Receivables		
Water	1 629 314	1 644 202
Electricity	1 491 687	1 318 368
Refuse	1 255 720	1 203 226
Sewerage	1 233 050	1 274 523
Payments received in advance	84 533	-
Total Service Receivables	5 694 303	5 440 319
Less: Provision for Impairment	(4 665 300)	(4 806 329)
Net Service Receivables	1 029 004	633 989
Other Receivables		
Sundry Receivables	601 876	93 726
Rentals	265 186	220 421
VAT	658 322	1 969 476
Total Other Receivables	1 525 384	2 283 623
Less: Provision for Impairment	(503 633)	(314 147)
Net Other Receivables	1 021 752	1 969 476
Total Net Receivables from Exchange Transactions	2 050 755	2 603 465
Ageing of Receivables from Exchange Transactions		
(Electricity): Ageing		
Current (0 - 30 days)	487 210	346 356
31 - 60 Days	140 273	77 953
61 - 90 Days	138 695	49 452
+ 90 Days	725 508	844 608
Total	1 491 687	1 318 368
(Water): Ageing		
Current (0 - 30 days)	184 700	217 524
31 - 60 Days	128 282	70 525
61 - 90 Days	100 926	103 524
+ 90 Days	1 215 407	1 252 628
Total	1 629 314	1 644 202
(Refuse): Ageing		
Current (0 - 30 days)	156 258	178 750
31 - 60 Days	82 757	89 059
61 - 90 Days	82 201	88 206
+ 90 Days	934 504	847 211
Total	1 255 720	1 203 226
(Sewerage): Ageing		
Current (0 - 30 days)	116 303	136 467
31 - 60 Days	82 214	87 358
61 - 90 Days	84 499	80 984
+ 90 Days	950 034	969 715
Total	1 233 050	1 274 523
(Sundry Receivables): Ageing		
Current (0 - 30 days)	363 429	-
31 - 60 Days	-	-
61 - 90 Days	-	-
+ 90 Days	238 447	93 726
Total	601 876	93 726

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

(Rentals): Ageing

Current (0 - 30 days)	-	-
31 - 60 Days	-	-
61 - 90 Days	-	-
+ 90 Days	265 186	220 421
Total	265 186	220 421

15 **TRADE AND OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS**

	2010 R	2009 R
Service Receivables		
Rates	1 765 499	790 206
Other Receivables	1 670	-
Accrued Fines	1 670	-
Total Service Receivables	1 767 169	790 206
Less: Provision for Impairment	(1 636 493)	(790 206)
Net Service Receivables	130 676	-
Total Net Receivables from Non-Exchange Transactions	130 676	-

Ageing of Receivables from Non-Exchange Transactions

(Rates): Ageing

Current (0 - 30 days)	129 006	-
31 - 60 Days	12 491	-
61 - 90 Days	13 846	-
+ 90 Days	1 610 156	790 206
Total	1 765 499	790 206

(Other Receivables): Ageing

Current (0 - 30 days)	1 670	-
31 - 60 Days	-	-
61 - 90 Days	-	-
+ 90 Days	-	-
Total	1 670	-

Summary of Receivables by Customer Classification

	Residential, Industrial & Commercial R's	Other Debtors R's	National and Provincial Government R's	Total R's
2010				
Total Receivables	7 991 883	21 786	230 331	8 244 000
Less: Provision for Impairment	(6 805 425)	-	-	(6 805 425)
Total Recoverable debtors by customer classification	1 186 458	21 786	230 331	1 438 575

Summary of Receivables by Customer Classification

	Residential, Industrial & Commercial R's	Other Debtors R's	National and Provincial Government R's	Total R's
2009				
Total Receivables	6 324 459	-	220 212	6 544 672
Less: Provision for Impairment	(5 910 682)	-	-	(5 910 682)
Total Recoverable debtors by customer classification	413 777	-	220 212	633 989

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Trade and other receivables impaired

2010	Exchange Transactions R's	Non-Exchange Transactions R's	Total R's
Total	5 168 932	1 636 493	6 805 425
2009	Exchange Transactions R's	Non-Exchange Transactions R's	Total R's
Total	5 120 476	790 206	5 910 682

Debts are required to be settled after 30 days, interest is charged on rates after this date at prime +1%.
The fair value of trade and other receivables approximates their carrying amounts.

Reconciliation of the Total doubtful debt provision

	2010 R	2009 R
Balance at beginning of the year	5 910 682	6 905 947
Contributions to provision	894 743	-
Transfer to Trade Receivable Impairment provision	-	-
Impairment written off against provision	-	(995 265)
Balance at end of year	6 805 425	5 910 682

16	OPERATING LEASE ARRANGEMENTS	2010 R	2009 R
16.1	The Municipality as Lessor		
	Balance on 1 July	6 690	-
	Operating Lease Asset previously not recognised - Note 31.11 and Note 31.1	-	3 656
	Restated Balance on 1 July	6 690	3 656
	Operating Lease Asset for the current year	2 349	3 034
	Balance on 30 June	9 038	6 690

The municipality is leasing a piece of land to MTN for a period of 119 months with escalations of 10% per year.

	2010 R	2009 R
At the Statement of Financial Position date, where the municipality acts as a lessor under operating leases, it will receive operating lease income as follows:		
Up to 1 Year	437 126	450 087
1 to 5 Years	218 203	643 198
More than 5 Years	26 799	38 930
Total Operating Lease Arrangements	682 128	1 132 215

This lease income was determined from a contract that have a specific conditional income and does not include lease income which has a undetermined conditional income.
The lease is in respect of land being leased until 2017.

17	CASH AND CASH EQUIVALENTS	2010 R	2009 R
	<u>Assets</u>		
	Call Investments Deposits	28 969 250	34 708 361
	Balance previously reported		-
	Correction of error - Refer note		-
	Primary Bank Account (Cash book)	283 025	394 454
	Total Cash and Cash Equivalents - Assets	29 252 274	35 102 815

Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value.

Call Investments Deposits to an amount of R13 097 173 are held to fund the Unspent Conditional Grants (2009: R16 040 469).

Kareeberg municipality do not have a bank overdraft facility.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Current Accounts

2010 R	2009 R
283 025	394 454
283 025	394 454

394 454	(217 277)
283 025	394 454
<hr/>	<hr/>
1 693 931	469 544
682 505	1 693 931

2010	2009
R	R

Call investment deposits consist out of the following accounts:

Account no.	Place of investment	Name of fund		
20-5772-3831	ABSA			
90-7096-6577	ABSA	Capital Replacement Reserve	11 347 812	11 347 812
18-021-5000	STANDARD BANK			
20-6699-9287	ABSA	Housing Fund	362 183	757 374
90-7057-3646	ABSA	Job creation - De Bult	33 109	31 907
90-7553-5667	ABSA	Land development	14 518	14 012
90-7553-5714	ABSA	Land development	13 262	12 800
90-7091-9951	ABSA	Land development	27 135	26 831
08-870-543-9	STANDARD BANK	Civil Defence	16 481	15 846
08-870-542-0	STANDARD BANK	Job Creation	11 325	10 889
90-9630-8465	ABSA	Self Build Project	129 274	127 315
08-871-077-7	STANDARD BANK	Geotechnical Investigation	5 931	5 610
91-7979-1250	ABSA			
08-870-7644	STANDARD BANK	Water Assistance	72 767	71 281
20-6699-9318	ABSA	TV Fund	10 126	10 099
91-1548-4469	ABSA	CMIP Kwaggakolk(VAT)	191 142	188 246
91-1135-2446	ABSA	MSIG	419 838	1 344
08-870-5536	STANDARD BANK	MIG Sanitation	5 220 026	11 819 843
91-1908-0801	ABSA	Electricity	60 454	113 870
91-6152-7996	ABSA	Water Services Plan	3 061	53 251
91-4181-7074	ABSA	CMIP-Saaipoort project 301	3 359	3 357
90-9833-4420	ABSA	Library Development Projects	185 643	179 974
91-1908-0893	ABSA	EPWP - Paving/ Cleaning	22 092	22 034
91-0714-4855	ABSA	Lotto Carnarvon	1 700	1 699
91-1003-7312	ABSA	Lotto Vosburg	29 888	29 553
91-2628-3947	ABSA	VWV Housing VAT	86 993	85 675
91-2628-4105	ABSA	VB Housing VAT	8 061	36 496
91-2841-6291	ABSA	Finance Management Grant	66 107	173 350
91-3252-1989	ABSA	Transfer Fees Sub-Economic Housing	112 434	107 761
91-3945-6365	ABSA	VB Cleaning Project	23 887	23 824
91-7978-9996	ABSA	Vanwyksvlei Drought Relief Fund	30 796	30 451
91-5297-7293	ABSA	VAT - retention	11 085	11 056
91-5667-0176	ABSA	Carnarvon Waste Management	12 515	21 056
91-9282-9892	ABSA	VWV Short Term Water Provision	-	317 951
91-9797-5426	ABSA	VWV Drought Relief(R 2,1m)	537 636	1 379 974
92-1891-4002	ABSA	MIG Upgrading of streets	-	1 063 096
92-2783-7904	ABSA	Kreeberg Festival	-	50 019
20-7026-1686	ABSA	MIG	5 736 528	-
92-1221-8064	ABSA	Leave Fund	529 689	403 741
20-6873-9716	ABSA	Retention	387 088	2 992 202
92-1221-8064	ABSA	Provision for Employee benefits	1 000 000	1 000 000
20-6699-9318	ABSA	Reserves	352 116	352 116
91-8483-7033	ABSA	General Account	1 893 190	1 814 648
			28 969 250	34 708 361

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
18 PROPERTY RATES		
<u>Actual</u>		
Rateable Land and Buildings	9 517 396	2 815 319
Residential, Commercial Property, State	8 822 928	2 181 994
State - National / Provincial Services	694 468	633 325
<u>Less: Reductions</u>	(411 738)	-
<u>Less: Rebates</u>	(5 212 820)	(126 665)
Total Assessment Rates	3 892 838	2 688 654
	2010 R	2009 R
<u>Valuations - 30 JUNE 2010:</u>		
Rateable Land and Buildings	1 546 639 550	54 458 721
Residential & Commercial Property	1 518 642 150	41 979 041
State - National / Provincial Services	27 997 400	12 479 680
Total Assessment Rates	1 546 639 550	54 458 721

Valuations - 30 JUNE 2010:

	Valuation
Residential	177 990 500
State	20 802 800
State: Agriculture	7 194 600
Agriculture	1 271 507 150
Municipal	22 276 900
Municipal: Agriculture	13 153 700
Schietfontein	165 000
Churchs	9 684 200
Infrastructure	837 700
Weldaadorganisasies	2 617 200
Commonage	160 000
Commonage (rentals)	9 747 800
Commonage (Boschmansberg)	7 752 000
Agriculture (Dubble levy Carnarvon)	2 750 000
Total Property Valuations	1 546 639 550

Assessment Rates are levied on the values of immovable properties. A new valuation and first supplementary roll were performed during 2009/10. The tariffs applicable is proclaimed by PK 1312 dated 15 June 2009.

Rates are levied annually and are payable after due dates. Interest are levied on monthly and annually outstanding amounts at prime rate plus 1% after due dates.

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

19	GOVERNMENT GRANTS AND SUBSIDIES	2010 R	2009 R
	Unconditional Grants	-	-
	Equitable Share - Refer to Note 19.1		-
	Conditional Grants	18 608 601	36 937 249
	Equitable share	7 227 967	5 648 175
	Drought relief	842 339	797 447
	Library Development	332 918	304 335
	Financial Management Grant	857 244	616 321
	Department of Economic Affairs	15 000	-
	Development Bank	45 375	-
	MSIG	881 506	897 295
	Electricity	54 823	78 068
	MIG - Upgrading of streets	1 063 096	1 921 102
	Saaiport VAT	-	12 561
	VAT Retention	-	11 278
	Tourism	-	57 525
	Water Service Plan	64 751	2 742 002
	Copperton pipeline	165 000	-
	District Municipality Contribution	-	500 000
	Sport Development	-	47 042
	MIG Sanitation	5 058 293	19 400 424
	Sanitation - sewerage	1 541 524	-
	Waste Management	8 596	32 873
	VAT Housing	28 500	-
	MIG Vanwyksvlei Short term Water Supply	317 951	3 870 802
	Kareeberg Festival	62 246	-
	MIG	41 472	-
	Total Government Grants and Subsidies	18 608 601	36 937 249
	Government Grants and Subsidies - Capital	5 205 223	17 267 755
	Government Grants and Subsidies - Operating	13 403 378	19 669 494
		18 608 601	36 937 249

The municipality does not expect any significant changes to the level of grants

19.1 **Equitable share**

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive 6kl free water and 50kwh electricity per month, which is funded from this grant.

All registered indigents receive a monthly subsidy as per approved budget, funded from this grant. Indigent subsidies is based on the cost of basic services for the geographical area concerned and range from R199 per month to R354 per month.(2009: R173 per month to R263 per month)

(See Appendix "F" for a reconciliation of all grants).

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

		2010 R	2009 R
20	SERVICE CHARGES		
	Electricity	4 466 914	3 725 462
	Service Charges	4 466 914	3 725 462
	Water	2 974 678	2 624 724
	Service Charges	2 974 678	2 624 724
	Refuse removal	2 470 537	2 153 801
	Service Charges	2 470 537	2 153 801
	Sewerage and Sanitation Charges	1 847 553	1 655 613
	Service Charges	1 847 553	1 655 613
	Total Service Charges	11 759 682	10 159 600
		2010 R	2009 R
21	OTHER REVENUE		
	Application Specific Registrations	3 100	2 400
	Sale of Sand	30	50
	Building Fees	120	660
	Photocopies	2 891	3 168
	Grave Fees	5 070	4 995
	Encroachment	917	917
	Cement block Sales	600	420
	Pond Fees	1 090	160
	Hawker Fees	-	760
	Refuse Bags Sold	772	1 145
	Connection Fees	590	960
	Surplus Cash	30	4
	Gain due to additions on Biological assets	38 700	10 400
	Valuation Certificates	1 180	2 015
	Grant VAT Income	805 489	-
	Grazing Rights	-	252
	Money paid back	-	1 716
	Electricity caravan park	378	-
	Total Other Income	860 956	30 021
22	FAIR VALUE ADJUSTMENTS		
	Unamortised Discount - Interest - LT Receivables	4 445	4 552
	Unamortised Discount - Interest - External Loans	(21 097)	(9 911)
		(16 652)	(5 359)
		2010 R	2009 R
23	EMPLOYEE RELATED COSTS		
	Other Allowances	900	900
	Salaries & Wages	7 438 094	6 529 844
	Uniform Allowance	19 427	20 518
	Leave Reserve Fund	125 948	92 369
	Personnel Contributions	2 161 614	1 113 766
	Skill Development Levy	80 830	69 313
	Bargaining Council	3 188	2 922
	Pension Gratification	444	444
	UIF Fund	64 706	56 791
	Contribution to Employee Benefits - Post Retirement Medical - Note 4	150 477	208 499
		10 045 627	8 095 366
	Less: Employee Costs allocated elsewhere	-	-
	Total Employee Related Costs	10 045 627	8 095 366

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

KEY MANAGEMENT PERSONNEL

Municipal Manger is appointed on a 5-year fixed contract. There are no post-employment or termination benefits payable to him at the end of the contract period.

REMUNERATION OF KEY MANAGEMENT PERSONNEL

Remuneration of the Municipal Manager

Salary and Bonus, Leave Paid	554 000	446 508
Travel Allowance	96 000	96 000
UIF	1 497	1 497
Cell phone (VAT Included)	18 000	18 000
Total	669 497	562 005

Remuneration of the Chief Finance Officer

Salary and Bonus, Leave Paid	296 805	263 409
Travel Allowance	104 436	94 512
Pension	45 665	20 663
Medical	27 450	21 248
UIF	1 497	1 497
Bargaining Council	45	41
Cell phone (VAT Included)	12 000	12 000
Total	487 898	413 370

Remuneration of Chief Operations Manager

Salary and Bonus, Leave Paid	363 295	322 419
Travel Allowance	104 436	94 512
Pension	55 894	25 291
Medical	33 236	24 817
UIF	1 497	1 497
Bargaining Council	45	41
Cell phone (VAT Included)	18 000	18 000
Total	576 404	486 578

Remuneration of Director : Corporate Services

Salary and Bonus, Leave Paid	281 584	248 716
Travel Allowance	104 436	94 512
Pension	45 665	20 663
Medical	26 262	16 524
UIF	1 497	1 497
Bargaining Council	45	41
Cell phone (VAT Included)	12 000	12 000
Total	471 489	393 953

	2010	2009
	R	R
24 REMUNERATION OF COUNCILLORS		
Mayor	367 933	339 977
Councillors	827 845	611 957
Councillors' Cell phones	77 259	72 431
Total Councillors' Remuneration	1 273 038	1 024 365

In-kind Benefits

The Mayor is fulltime. He is provided with an office and his own PA at the cost of the Council.

25 DEBT IMPAIRMENT		
Long term Receivables - Note 13	-	-
Trade Receivables from exchange transactions - Note 14	48 456	-
Trade Receivables from non-exchange transactions - Note 15	846 287	-
Total Contribution to Impairment Provision	894 743	-

	2010	2009
	R	R
26 IMPAIRMENTS		
Property Plant & Equipment	15 874	110 868
PPE - Biological Asset	-	9 500
	15 874	120 368

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

27	FINANCE CHARGES		
	Long-term Liabilities	2 712	6 214
	Post Retirement Charges	287 493	314 553
	Fair Value of Creditors	-	29 207
	Total finance charges	290 205	349 973
28	BULK PURCHASES		
	Electricity	3 690 256	2 772 497
	Water	-	-
	Total Bulk Purchases	3 690 256	2 772 497
29	GRANTS AND SUBSIDIES		
	Indigent Subsidies	5 733 259	4 324 209
	Total Grants and Subsidies	5 733 259	4 324 209
		2010	2009
		R	R
30	GENERAL EXPENSES		
	Audit Costs	996 135	746 733
	Fuel & Oil	387 161	408 455
	Subsistence and Travelling	469 645	437 668
	Telephone & Postage	285 707	280 228
	Bank charges	69 486	62 043
	Electricity Water pump	109 172	104 433
	Advertisement, printing & stationary	145 995	111 312
	Refuse bag purchases	93 600	100 800
	Assurance	126 723	128 723
	Other General Expenses	323 918	273 994
	Housing Fund	409 178	5 178
	Membership for associations	100 000	33 813
	Chemicals	97 203	21 863
	Special programmes	48 564	1 270
	General Expenses	3 662 486	2 716 513
	Other General Expenses contains administrative and technical expenses otherwise not provided for in the line-items of the Statement of Financial performance. This include items such as workman's compensation, vehicle licenses, cleaning agents and membership fees.		
		2009	2008
		R	R
31	CHANGE IN ACCOUNTING POLICY IN TERMS OF GRAP 3		
31.01	Current Employee Benefits		
	Balance previously reported:		-
	Transfer from Trade and other payables (Staff Leave) - Note 31.02		311 372
	Transfer from Accumulated Surplus/(Deficit) - Note 31.09		122 836
	Total		434 208
31.02	Trade and other payables		
	Balance previously reported:		372 352
	Transfer leave accrual to Current Employee Benefits - Refer notes 31.01		(311 372)
	Total		60 981
31.03	Long-term Liabilities		
	Finance Leases moved from operating to Liabilities as they are required by GRAP.		
	Balance previously reported:	-	249 462
	Opening balance GRAP movements 2008	(49 456)	-
	Implementation of IAS 39 - Financial Instruments	-	(31 008)
	Restatement of fair values of External loans out of Surplus up to 30 June 2007 - Note 31.09	-	(49 456)
	Restatement of fair values of External loans for the year 2007/08 - Note 31.11	-	18 448
	Total	(49 456)	218 454
31.04	Non-Current Employee Benefits		
	Employee Benefits recorded as they are required by GRAP.		
	Balance previously reported	-	-
	Opening balance GRAP movements 2008	-	-
	Implementation of IAS 19		
	Transfer to Accumulated Surplus/(Deficit) - Note 31.09	-	2 838 982
	Long-service not previously recognised transferred from Accumulated Surplus - Note 31.09 and Note 31.11	-	2 838 982
	Total	-	2 838 982

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

31.05 Property, Plant and Equipment - GRAP 17

Property, Plant and Equipment recorded as they are required by GRAP.

Balance previously reported	-	36 979 547
Opening balance GRAP movements 2008	-	-
Implementation of GRAP		
Transfer from Biological assets at fair value - Note 31.07	-	103 484
Total	-	37 083 031

2009	2008
R	R

31.06 Capitalisation Reserve

Capitalisation Reserve recorded as they are required by GRAP.

Balance previously reported	-	499 893
Opening balance GRAP movements 2008	-	-
Implementation of GRAP		
Transfer to Accumulated Surplus/(Deficit) - Note 31.09	-	(499 893)
Total	-	-

2009	2008
R	R

31.07 Biological Assets - GRAP

Biological Assets recorded as they are required by GRAP.

Balance previously reported	-	103 484
Opening balance GRAP movements 2008	-	-
Implementation of GRAP		
Transfer to Property, Plant and Equipment at cost - Note 31.05	-	(103 484)
Total	-	-

2009	2008
R	R

31.08 Government Grant Reserve

Government Grant Reserve recorded as they are required by GRAP.

Balance previously reported	-	23 970 647
Opening balance GRAP movements 2008	-	-
Implementation of GRAP		
Transfer to Accumulated Surplus/(Deficit) - Note 31.09	-	(23 970 647)
Total	-	-

31.09 Accumulated Surplus/(Deficit)

Movements on Accumulated Surplus recorded as they are required by GRAP.

Implementation of GRAP		
Transfer to Non-Current Employee Benefits - Note 31.04	-	(2 734 317)
Transfer to Current Employee Benefits - Note 31.01	-	122 836
Transfer from Capitalisation Reserve - Note 31.06	-	499 893
Transfer from Government Grant Reserve - Note 31.08	-	23 970 647
Restatement of fair values of External loans out of Surplus up to 30 June 2007 - Note 31.03	-	49 456
Restatement of fair values of Long Term Receivables - Note 31.12	-	(42 902)
Total	-	21 865 614

31.10 Operating Lease Assets

Operating Lease Assets recorded as they are required by GRAP.

Balance previously reported	-	-
Opening balance GRAP movements 2008	-	-
Implementation of GRAP		
Operating Lease Asset previously not recognised for opening balance - Note 31.11	-	3 656
Total	-	3 656

31.11 Changes to Statement of Financial Performance

Movements on Operating account recorded as they are required by GRAP.

Balance previously reported	-	1 673 833
Implementation of GRAP and IAS 39 - Financial Instruments		
Restatement of interest expenditure - Unamortised discount - Note 31.03	-	-18 448
Adjusting the operating lease for the previous year - Note 31.10	-	3 656
Transfer Actuarial Losses to Non-Current Employee Benefitss - Note 31.04 and Note 31.05	-	-89 665
Transfer Interest Cost to Non-Current Employee Benefitss - Note 31.04 and Note 31.05	-	-211 900
Transfer Employee Benefits Current service Cost to Non-Current Employee Benefitss - Note 31.04 and Note 31.09	-	-174 251
Transfer Employee Benefits Paid to Non-Current Employee Benefitss - Note 31.04 and Note 31.05	-	125 479
Transfer Building Clause Income from Other Income to Property Rates - Note 18 and Note 21	-	5 225
Transfer Building Clause Income from Other Income to Property Rates - Note 18 and Note 21	-	-5 225
Transfer Commission on insurance recoveries to Agency services - Note 21	-	10 026
Transfer Commission on insurance recoveries to Agency services - Note 21	-	-10 026
Create over/under payment of operating leases out of surplus- Note 31.13	-	1 575
Restatement of interest revenue - Unamortised discount - Note 31.12	-	4 618
Total	-	1 314 898

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

31.12	Long Term Receivables		
	Fair value restated on long term receivables recorded as they are required by GRAP.		
	Balance previously reported	-	119 769
	Opening balance GRAP movements 2008	-	-
	IAS 39 - Financial Instruments		
	Restatement of fair values of housing loans to staff of Surplus up to 30 June 2007 - Note 31.09	-	(42 902)
	Restatement of fair values of housing loans to staff for the year 2007-08 - Note 31.11	-	4 618
	Total	-	81 485
31.13	Trade receivables from Exchange transactions		
	Trade receivables from Exchange transactions recorded as they are required by GRAP.		
	Balance previously reported	-	8 434 575
	Opening balance GRAP movements 2008	-	-
	Implementation of GRAP		
	Create over/under payment of operating leases out of surplus- Note 31.11	-	1 575
	Total	-	8 436 150
		2009 R	2008 R
32	CORRECTION OF ERROR IN TERMS OF GRAP 3		
32.1	Directive 4: "Transitional Provisions for Medium and Low Capacity Municipalities"		
	In terms of Directive 4: "Transitional Provisions for Medium and Low Capacity Municipalities" issued by the Accounting Standards Board the municipality has transitional provisions for the following GRAP Standards:		
	GRAP 12 – Inventories GRAP 16 – Investment Property GRAP 17 – Property, Plant and Equipment GRAP 19 – Provisions, Contingent Liabilities and Contingent Assets GRAP 100 – Non-current Assets Held for Sale and Discontinued Operations GRAP 102 – Intangible Assets		
	These provisions were not adopted in the prior year and are now adopted for periods ending on and after 30 June 2010.		
32.2	Intangible Assets		
	Balance previously reported		230 692
	Transfer to Accumulated Surplus for assets incorrectly capitalised - Note 32.3		(229 378)
	Total		1 314
32.3	Statement of financial performance		
	Balance previously reported		1 314 898
	Transfer from Intangible Assets for assets incorrectly capitalised - Note 32.2		(229 378)
	Total		1 085 520
		2010 R	2009 R
33	RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS		
	Surplus/(Deficit) for the year	2 156 559	17 171 904
	Adjustments for:		
	Depreciation	2 542 129	1 469 866
	Amortisation of Intangible Assets	1 988	450
	(Gain)/Loss on disposal of property, plant and equipment	3 100	(35 349)
	Impairments	15 874	120 368
	Contribution from/to employee benefits - non-current	437 970	523 052
	Contribution from/to employee benefits - non-current - expenditure incurred	(131 767)	(137 143)
	Contribution from/to employee benefits - non-current - actuarial losses	702 817	-
	Contribution from/to employee benefits - non-current - actuarial gains	-	(56 253)
	Contribution to employee benefits – current	125 948	92 369
	Contribution to provisions – bad debt	894 743	-
	Unamortised discount - Interest - Revenue	(4 445)	(4 552)
	Unamortised discount - Interest - Expenditure	21 097	9 911
	Impairment written off	-	(995 265)
	Operating lease income accrued	(2 349)	(3 034)
	Interest income	(1 747 805)	(1 667 689)
	Interest expense	290 205	349 973
	Operating Surplus/(Deficit) before changes in working capital	5 306 066	16 838 609
	Changes in working capital	(7 261 786)	(15 077 922)
	Increase/(Decrease) in Trade and Other Payables	(2 575 035)	3 042 015
	Increase/(Decrease) in Unspent Conditional Government Grants and Receipts	(2 902 888)	(20 006 006)
	Increase/(Decrease) in Taxes	(1 311 154)	142 550
	(Increase)/Decrease in Trade Receivables from exchange transactions	504 254	712 209
	(Increase)/Decrease in Other Receivables from non-exchange transactions	(976 963)	1 031 311
	Cash generated/(absorbed) by operations	(1 955 720)	1 760 687

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R		
34 CASH AND CASH EQUIVALENTS				
Cash and cash equivalents included in the cash flow statement comprise the following:				
Call Investments Deposits - Note 17	28 969 250	34 708 361		
Bank - Note 17	283 025	394 454		
Total cash and cash equivalents	29 252 274	35 102 815		
35 RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES				
Cash and Cash Equivalents - Note 34	29 252 274	35 102 815		
Less:	29 252 274	35 102 815		
	13 499 764	16 797 843		
Unspent Committed Conditional Grants - Note 8	13 137 581	16 040 469		
Cash Portion of Housing Development Fund - Note 2	362 183	757 374		
Net cash resources available for internal distribution	15 752 510	18 304 973		
Allocated to:				
Capital Replacement Reserve	11 347 812	11 347 812		
Retention	387 088	2 992 202		
Provision for Employee benefits	1 000 000	1 000 000		
Reserves	352 116	352 116		
Staff Leave	529 689	403 741		
Resources available for working capital requirements	2 135 806	2 209 102		
36 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION				
Long-term Liabilities - Note 3	-	78 843		
Used to finance property, plant and equipment - at cost	-	-		
	-	78 843		
Cash set aside for the repayment of long-term liabilities	-	(78 843)		
Cash invested for repayment of long-term liabilities	-	-		
Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. The Annuity Loans carry interest of between 3% and will be repaid by 31 December 2009				
37 BUDGET COMPARISONS				
	2010 R (Actual)	2010 R (Budget)	2010 R (Variance)	2010 (%)
37.1 Operational				
Revenue by source				
Property Rates	3 892 838	3 910 569	(17 731)	0%
Government Grants and Subsidies - Capital	5 205 223	8 213 166	(3 007 943)	-37%
Government Grants and Subsidies - Operating	12 597 889	19 877 834	(7 279 945)	-37%
Third Party Payments	3 384	-	3 384	100%
Fines	19 189	4 230	14 959	354%
Property Rates - Penalties & Collection Charges	204 870	106 000	98 870	93%
Service Charges	11 759 682	11 894 986	(135 304)	-1%
Rental of Facilities and Equipment	446 335	405 480	40 855	10%
Interest Earned - external investments	1 743 469	1 323 000	420 469	32%
Interest Earned - outstanding debtors	4 336	4 500	(164)	-4%
Licences and Permits	17 837	37 267	(19 430)	-52%
Agency Services	96 122	56 500	39 622	70%
Other Revenue	860 956	5 637 780	(4 776 824)	-85%
Unamortised discount - Interest	4 445	-	4 445	100%
	36 856 574	51 471 312	(14 614 738)	-28%
Expenditure by nature				
Employee Related Costs	(10 045 627)	(9 428 591)	(617 036)	7%
Remuneration of Councillors	(1 273 038)	(1 280 116)	7 078	-1%
Debt Impairment	(894 743)	(225 000)	(669 743)	298%
Collection Cost	-	(35 000)	35 000	-100%
Depreciation and Amortisation	(2 544 118)	(2 410 665)	(133 453)	6%
Impairments	(15 874)	-	(15 874)	100%
Repairs and Maintenance	(453 474)	(730 300)	276 826	-38%
Actuarial losses	(702 817)	-	(702 817)	100%
Finance Charges	(290 205)	(303 571)	13 366	-4%
Bulk Purchases	(3 690 256)	(3 815 662)	125 406	-3%
Contracted services	-	-	-	0%
Grants and Subsidies	(5 733 259)	(5 732 292)	(967)	0%
Operating Grant Expenditure	(5 369 922)	(20 364 000)	14 994 078	-74%
Unamortised Discount - Interest - Expenditure	(21 097)	-	(21 097)	100%
General Expenses	(3 662 486)	(9 133 608)	5 471 122	-60%
	(34 696 915)	(53 458 805)	18 761 890	-35%
Other Gains/Losses				
Loss on Disposal of PPE	(3 100)	(2 000)	(1 100)	55%
	(3 100)	(2 000)	(1 100)	55%
Net Surplus for the year	2 156 559	(1 989 493)	4 146 052	-208%

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Details of material variances

Debt Impairment - Withholding of rates
Actuarial losses - Adjusted Actuarial Report

	2010 R (Actual)	2010 R (Budget)	2010 R (Variance)	2010 (%)
37.2 Expenditure by Vote				
Cemetery	(107 751)	(108 371)	620	-1%
Library	(603 737)	(622 500)	18 763	-3%
Museum	(36 306)	(126 102)	89 796	-71%
Corporate Services	(1 048 017)	(1 160 479)	112 462	-10%
Electricity Administration	(117 901)	(144 700)	26 799	-19%
Electricity Generation	(3 980 594)	(4 109 383)	128 789	-3%
Electricity Distribution	(285 419)	(307 822)	22 403	-7%
General Expenditure of Council	(16 419 050)	(29 437 287)	13 018 237	-44%
Official Housing	(1 173)	(3 673)	2 500	-68%
Property Rates	-	(5 620 342)	5 620 342	-100%
Commonage	(51 769)	(73 913)	22 144	-30%
Municipal Buildings	(137 307)	(135 606)	(1 701)	1%
Municipal Manager/Treasurer	(5 598 257)	(4 608 041)	(990 216)	21%
Nursing Service	(20 170)	(23 356)	3 186	-14%
Air Port	(30 846)	(40 073)	9 227	-23%
Abattoir	(19)	(524)	505	-96%
Fire Department	18 August 2010	(15 632)	56 040	-358%
Civil Protection	(4 736)	(36 827)	32 091	-87%
Pound	(14 231)	(10 684)	(3 547)	33%
Public Works	(1 894 236)	(1 920 294)	26 058	-1%
Streets & Pavements	(412 110)	(418 481)	6 371	-2%
Licensing & Traffic	(184 201)	(199 668)	15 467	-8%
Nature Reserve	(108 955)	(104 710)	(4 245)	4%
Parks & Open areas	(191 846)	(189 897)	(1 949)	1%
Swimming Pool	(72 954)	(61 847)	(11 107)	18%
Caravan Park	(4 873)	(9 929)	5 056	-51%
Refuse	(2 156 320)	(2 287 381)	131 061	-6%
Sewerage & Cleansing	(1 924 465)	(2 389 625)	465 160	-19%
Water Distribution	(258 655)	(240 052)	(18 603)	8%
Water Provision	(372 443)	(519 310)	146 867	-28%
Less Inter-Departmental Charges	1 349 605	1 465 704	(116 099)	-8%
	(34 688 736)	(53 460 805)	18 812 477	-35%

Details of material variances

Municipal Manager/Treasurer - Additional contribution to Pension fund

37.3 Capital expenditure by vote				
Municipal Manager/Treasurer	208 267	-	208 267	100%
Library	105 749	-	105 749	100%
Electricity Administration	20 662	-	20 662	100%
Public Works	116 842	200 000	(83 158)	-42%
Streets & Pavements	1 724 789	1 422 000	302 789	21%
Nature Reserve	38 700	-	38 700	100%
Parks & Open areas	-	4 500 000	(4 500 000)	-100%
Sewerage, Refuse & Cleansing	2 468 875	500 000	1 968 875	394%
Water Provision	567 678	-	567 678	100%
	5 291 969	6 622 000	(1 330 031)	-20%

Details of material variances

Municipal Manager/Treasurer - Furniture & Electronic equipment
Library - Computers & extension of building
Streets & Pavements - Additional roads paved & tarred
Sewerage, Refuse & Cleansing - Additional pipeline, pump station enlargement of collective drains and vehicles
Water Provision - Additional bore holes and desalination plant

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

38 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

38.1 Unauthorised expenditure

Reconciliation of unauthorised expenditure:

Opening balance	-	-
Unauthorised expenditure current year - capital	-	-
Unauthorised expenditure current year - operating	-	-
Approved by Council or condoned	-	-
Transfer to receivables for recovery	-	-
Unauthorised expenditure awaiting authorisation	-	-

Incident	Disciplinary steps/criminal proceedings
None	None

38.2 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure:

Opening balance	-	-
Fruitless and wasteful expenditure current year	-	-
Condoned or written off by Council	-	-
Transfer to receivables for recovery - not condoned	-	-
Fruitless and wasteful expenditure awaiting condonement	-	-

Incident	Disciplinary steps/criminal proceedings
None	None

38.3 Irregular expenditure

Reconciliation of irregular expenditure:

Opening balance	-	-
Irregular expenditure current year	2 048 483	2 149 071
Condoned or written off by Council	(2 048 483)	(2 149 071)
Transfer to receivables for recovery - not condoned	-	-
Irregular expenditure awaiting condonement	-	-

Incident	Disciplinary steps/criminal proceedings
Tenders not advertised on CIDB website (July 2009 - March 2010)	None

38.4 Material Losses**Electricity distribution losses**

Units purchased (Kwh)	8 203 635	8 326 783
- Units lost during distribution (Kwh)	1 201 021	1 768 533
- Percentage lost during distribution	14.64%	21.24%

Water distribution losses

- Mega litres purified	-	-
- Mega litres lost during distribution	-	-
- Percentage lost during distribution	0.00%	0.00%

39 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

39.1 Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS

Council subscriptions	100 000	32 458
Amount paid - current year	(100 000)	(32 458)
Balance unpaid (included in creditors)	-	-

2010 R 2009 R

39.2 Audit fees - [MFMA 125 (1)(b)]

Opening balance	-	-
Current year audit fee	996 135	775 940
External Audit - Auditor-General	996 135	775 940
Amount paid - current year	(996 135)	(775 940)
Balance unpaid (included in creditors)	-	-

39.3 VAT - [MFMA 125 (1)(b)]

Opening balance	(39 760)	(346 843)
Amounts received - current year	1 763 053	1 395 006
Amounts claimed - current year (payable)	(2 214 070)	(2 389 235)
Amounts received - current year	-	954 469
Amounts received - previous year	39 760	346 843
Closing balance	(451 018)	(39 760)

VAT is payable on the receipts basis. Only once payment is received from debtors is VAT paid over to SARS.

2010 R 2009 R

39.4 PAYE, SDL and UIF - [MFMA 125 (1)(b)]

Current year payroll deductions and Council Contributions	1 127 470	1 079 870
Amount paid - current year	(1 127 470)	(1 079 870)
Balance unpaid (included in creditors)	-	-

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	R	R
39.5 Pension and Medical Aid Deductions - [MFMA 125 (1)(b)]		
Current year payroll deductions and Council Contributions	2 177 017	1 942 141
Amount paid - current year	(2 177 017)	(1 942 141)
L.A. Health	(241 338)	(441 320)
Munimed	(42 588)	(91 616)
Cape Pension Fund	(251 521)	(226 774)
Hosmed	(484 565)	(155 773)
Cape Joint Retirement Fund	(793 541)	(674 539)
SAMWU Provident Fund	(363 464)	(352 119)
Balance unpaid (included in creditors)	-	-
39.6 Councillor's arrear consumer accounts - [MFMA 125 (1)(b)]		
The following Councillors had arrear accounts for more than 90 days as at 30 JUNE 2010:		
	2010 R Outstanding more than 90 days	2009 R Outstanding more than 90 days
None	-	-
Total Councillor Arrear Consumer Accounts	-	-
39.7 Quotations awarded - Section 45 - Supply Chain Management		
Mr C van der Merwe - Chief Operational Manager's Wife - Brother-in-law	1 870 674	2 569 953
BC & DD Bricks - Director is the spouse of a senior general worker.	-	193 341
	1 870 674	2 763 294
40 CAPITAL COMMITMENTS	2010 R	2009 R
Commitments in respect of capital expenditure:		
Approved and contracted for:	5 083 096	5 975 419
Infrastructure	5 083 096	5 975 419
Total	5 083 096	5 975 419
This expenditure will be financed from:	2010 R	2009 R
Government Grants	5 083 096	5 975 419
	5 083 096	5 975 419
41 FINANCIAL RISK MANAGEMENT	2010 R	2009 R
The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.		
(a) Foreign Exchange Currency Risk		
The municipality does not engage in foreign currency transactions.		
(b) Price risk		
The municipality is not exposed to price risk.		

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

(c) Interest Rate Risk

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.

	2010 R	2009 R
The potential impact on the entity's surplus/deficit for the year due to changes in interest rates were as follow:		
0.5% (2009 - 0.5%) Increase in interest rates	146 261	175 225
0.5% (2009 - 0.5%) Decrease in interest rates	(146 261)	(175 225)

(d) Credit Risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur a financial loss.

Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Trade and other debtors are disclosed net after provisions are made for impairment. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

All rates and services are payable within 30 days from invoice date. Refer to note 14 & 15 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms. Also refer to note 14 & 15 for balances included in receivables that were re-negotiated for the period under review.

No trade and other receivables are pledged as security for financial liabilities.

Due to the short term nature of trade and other receivables the carrying value disclosed in note 14 & 15 of the financial statements is an approximation of its fair value. Interest on overdue balances (rates) are included at prime lending rate plus 1% where applicable.

The provision for bad debts could be allocated between the different classes of debtors as follows:

	2010 %	2010 R	2009 %	2009 R
Electricity	14.76%	1 004 477	17.33%	1 024 245
Water	21.23%	1 444 614	25.43%	1 503 344
Rentals	3.90%	265 186	3.73%	220 421
Refuse	16.16%	1 099 462	18.26%	1 079 528
Sewerage	16.41%	1 116 746	20.29%	1 199 213
Other Consumer Arrears	3.50%	238 447	1.59%	93 726
Rates	24.05%	1 636 493	13.37%	790 206
	100.00%	6 805 425	100.00%	5 910 682

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

Financial assets exposed to credit risk at year end are as follows:

Long term receivables	74 731	78 319
Trade receivables and other receivables	2 181 431	2 603 465
Cash and Cash Equivalents	29 252 274	35 102 815
	<u>31 508 437</u>	<u>37 784 600</u>

(e) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
2010				
Long Term liabilities	-	-	-	-
Capital repayments	-	-	-	-
Interest	-	-	-	-
Trade and Other Payables	527 960	-	-	-
Unspent conditional government grants and receipts	13 137 581	-	-	-
	<u>13 665 541</u>	<u>-</u>	<u>-</u>	<u>-</u>
2009				
Long Term liabilities	81 555	-	-	-
Capital repayments	78 843	-	-	-
Interest	2 712	-	-	-
Trade and Other Payables	3 102 996	-	-	-
Unspent conditional government grants and receipts	16 040 469	-	-	-
	<u>19 225 019</u>	<u>-</u>	<u>-</u>	<u>-</u>

		2010 R	2009 R
42 FINANCIAL INSTRUMENTS			
In accordance with IAS 39.09 the financial instruments of the municipality are classified as follows:			
The fair value of financial instruments approximates the amortised costs as reflected below.			
42.1 Financial Assets	Classification		
Long-term Receivables			
Staff Loans	At amortised cost	95 659	104 018
Consumer Debtors			
Trade receivables from exchange transactions	At amortised cost	5 694 303	5 440 319
Other receivables from exchange transactions	At amortised cost	1 525 384	2 283 623
Other receivables from non-exchange transactions	At amortised cost	1 767 169	790 206
Current Portion of Long-term Receivables			
Staff Loans	At amortised cost	8 360	8 032
Short-term Investment Deposits			
Call Deposits	At amortised cost	28 969 250	34 708 361

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Bank Balances and Cash				
Bank Balances	At amortised cost		283 025	394 454
			38 343 149	43 729 014
SUMMARY OF FINANCIAL ASSETS				
At amortised cost			38 343 149	43 729 014
			2010	2009
			R	R
41	FINANCIAL INSTRUMENTS (CONTINUE)			
42.2	<u>Financial Liability</u>	<u>Classification</u>		
Trade Payables				
Trade creditors	At amortised cost		440 481	3 037 526
Retentions	At amortised cost		84 533	62 534
Unspent Conditional Grants and Receipts				
Other Spheres of Government	At amortised cost		13 137 581	16 040 469
Current Portion of Long-term Liabilities				
Annuity Loans	At amortised cost		-	78 843
			13 662 595	19 219 371
SUMMARY OF FINANCIAL LIABILITY				
At amortised cost			13 662 595	19 219 371
43	EVENTS AFTER THE REPORTING DATE			
The municipality has no events after reporting date during the financial year ended 2009/2010.				
44	IN-KIND DONATIONS AND ASSISTANCE			
The municipality did not receive any in-kind donations or assistance during the year under review.				
45	PRIVATE PUBLIC PARTNERSHIPS			
Council has not entered into any private public partnerships during the financial year.				
46	CONTINGENT LIABILITY			
The Rate Payers Association is currently in dispute with the municipality. Rate Payers Association will continue with the non payment of municipal rates accounts.				
Signed collective agreement, from SALGA stipulating back pay of 9 months on wage curves according to approved post evaluations, was not received at year end.				
47	RELATED PARTIES			
Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.				
47.1	Related Party Transactions			
	Rates - Levied 1 Jul 09 - 30 Jun 10	Service Charges Levied 1 Jul 09 - 30 Jun 10	Other - Levied 1 Jul 09 - 30 Jun 10	Outstanding Balances 30 June 2010
Year ended 30 JUNE 2010				
Councillors	12 971	30 251	-	1 538
Municipal Manager and Section 57 Employees	17 729	37 621	-	1 642
The rates, service charges and other charges are in accordance with approved tariffs. No impairment expenses have been recognised in respect of amounts owed by related parties.				
47.2	Related Party Loans			
Since 1 July 2004 loans to councillors and senior management employees are not permitted. Loans granted prior to this date, together with the conditions, are disclosed in note 13 to the Annual Financial Statements.				
47.3	Compensation of key management personnel			
The compensation of key management personnel is set out in note 23 to the Annual Financial Statements.				

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

47.4 Other related party transactions

2010	2009
------	------

R	R
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The following purchases were made during the year where Councillors or Management have an interest:

Councillor/Staff Member

Mr C van der Merwe - Chief Operational Manager Wife's - Brother-in-law

1 870 674 2 569 953

<u>1 870 674</u>	<u>2 569 953</u>
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48 TRANSITIONAL PROVISION TAKEN ACCORDING TO THOSE IN DIRECTIVE 4 - TRANSITIONAL PROVISIONS FOR MEDIUM AND LOW CAPACITY MUNICIPALITIES

48.1 GRAP 19 - Provisions, contingent liabilities and contingent Assets

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not recognise provisions, contingent liabilities or contingent assets relating to Refuse tip-sites.

The municipality is currently in a process of identifying all provisions which must be measured in terms of GRAP 19 and it is expected that this process will be completed for inclusion in the 2011 financial statements.

48.2 GRAP 100 - Non-current assets and discontinued operations

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not recognise non-current assets held for sale and discontinued operations relating to Inventories, Investment Properties, Property, Plant and Equipment, Agriculture and Intangible Assets which are not recognised in terms of the transitional provisions relating to those standards.

48.3 GRAP 16 - Investment Properties

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not recognise all the Investment Properties.

The municipality is currently in the process of identifying all Investment Properties and have valued them in terms of GRAP 16 and it is expected that this process will be completed for inclusion in the 2011 financial statements.

48.4 GRAP 102 - Intangible Assets

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not recognise or measure all the Intangible Assets in accordance with the standard, including the following:

- * Computer Software;
- * Intangible assets financed by way of finance leases;
- * Intangible assets transferred as a result of the transfer of functions; and
- * Servitudes.

The municipality is currently in the process of identifying all Intangible Assets and have it valued in terms of GRAP 102 and it is expected that this process will be completed for inclusion in the 2011 financial statements. It is possible that certain intangible assets are currently being recognised as Property, Plant and Equipment.

48.5 GRAP 12 - Inventories

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not recognise the following inventories:

Land held for sale

The municipality is currently in the process of identifying all inventory which must be measured in terms of GRAP 12 and it is expected that this process will be completed for inclusion in the 2011 financial statements.

48.6 GRAP 17 - Property, Plant and Equipment

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not recognise the following Property Plant & Equipment:

Refer to Note 10

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

10 PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2010

Reconciliation of Carrying Value

	Opening Balance R	Cost Additions R	Disposals R	Closing Balance R	Opening Balance R	Accumulated Depreciation Additions R	Disposals R	Closing Balance R	Carrying Value R
Land and Buildings	13 712 463	79 384	-	13 791 847	638 441	55 904	-	694 344	13 097 502
Land	11 986 394	-	-	11 986 394	-	-	-	-	11 986 394
Buildings	1 726 069	79 384	-	1 805 452	638 441	55 904	-	694 344	1 111 108
Infrastructure	33 013 967	4 117 157	948	37 130 175	6 038 982	1 733 268	505	7 771 745	29 358 430
Main: Roads	6 297 270	1 724 789	948	8 021 111	1 791 351	404 338	505	2 195 184	5 825 927
Main: Waste Management	13 087 121	750 000	-	13 837 121	281 104	651 610	-	932 714	12 904 407
Main: Electricity	1 971 492	-	-	1 971 492	1 117 247	89 473	-	1 206 720	764 772
Main: Water	10 437 180	567 678	-	11 004 859	2 081 154	520 278	-	2 601 432	8 403 427
Reservoirs/Pumps - Waste Management	11 303	1 054 691	-	1 065 993	10 463	11 557	-	22 020	1 043 973
Transformers, Switchgear and Meters	33 401	20 000	-	53 401	20 638	1 610	-	22 248	31 153
Reservoirs/Tanks - Water	1 176 199	-	-	1 176 199	737 026	54 401	-	791 427	384 772
Community Assets	2 771 966	-	1 036	2 770 930	1 046 963	116 067	689	1 162 341	1 608 589
Recreation Grounds	1 740 532	-	-	1 740 532	648 093	81 945	-	730 038	1 010 495
Civil Buildings	543 189	-	1 036	542 153	216 945	17 618	689	233 874	308 278
Libraries	356 575	-	-	356 575	121 656	11 870	-	133 527	223 049
Parks & Gardens	41 070	-	-	41 070	22 949	1 764	-	24 713	16 358
Public Conveniences/Bathhouses	85 150	-	-	85 150	35 076	2 696	-	37 772	47 378
Land Strip	5 449	-	-	5 449	2 244	173	-	2 417	3 032
Lease Assets	-	-	-	-	-	-	-	-	-
Office Equipment	-	-	-	-	-	-	-	-	-
Heritage Assets	5 000	-	-	5 000	-	-	-	-	5 000
Vehicles	5 000	-	-	5 000	-	-	-	-	5 000
Other Assets	5 130 449	1 069 571	46 783	6 153 237	2 632 676	636 891	28 599	3 240 968	2 912 268
Motor Vehicles	2 033 087	744 267	-	2 777 354	838 408	394 193	-	1 232 601	1 544 753
Plant & Equipment	1 235 017	37 855	24 438	1 248 434	706 479	101 119	11 641	795 957	452 477
Office Equipment	494 163	63 066	6 001	551 227	291 201	63 156	4 450	349 907	201 320
Furniture & Fittings	227 236	139 063	2 561	363 737	151 783	25 243	2 397	174 629	189 108
Fire Engines	49 699	-	582	49 117	15 527	3 148	516	18 158	30 959
Computer Equipment	417 398	32 070	10 100	439 368	349 515	18 942	9 595	358 862	80 506
Refuse Tankers	549 766	-	-	549 766	279 763	31 092	-	310 855	238 911
Game	124 084	53 250	3 100	174 234	-	-	-	-	174 234
	54 633 844	5 266 111	48 767	59 851 189	10 357 062	2 542 129	29 793	12 869 398	46 981 790

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

30 JUNE 2009

Reconciliation of Carrying Value

	Opening Balance	Cost				Accumulated Depreciation			Carrying Value
	R	Additions	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	R
	R	R	R	R	R	R	R	R	R
Land and Buildings	13 712 463	-	-	13 712 463	583 839	54 602	-	638 441	13 074 022
Land	11 986 394	-	-	11 986 394	-	-	-	-	11 986 394
Buildings	1 726 069	-	-	1 726 069	583 839	54 602	-	638 441	1 087 628
Infrastructure	16 418 047	16 604 854	8 934	33 013 967	5 247 386	799 001	7 405	6 038 982	26 974 984
Main: Roads	4 179 398	2 117 872	-	6 297 270	1 495 903	295 447	-	1 791 351	4 505 920
Main: Waste Management	1 978 925	11 108 196	-	13 087 121	262 146	18 958	-	281 104	12 806 017
Main: Electricity	1 971 492	-	-	1 971 492	1 027 773	89 473	-	1 117 247	854 245
Main: Water	7 061 969	3 378 786	3 574	10 437 180	1 744 409	339 057	2 313	2 081 154	8 356 027
Reservoirs/Pumps - Waste Management	16 663	-	5 360	11 303	15 478	77	5 092	10 463	840
Transformers, Switchgear and Meters	33 401	-	-	33 401	19 052	1 587	-	20 638	12 763
Reservoirs/Tanks - Water	1 176 199	-	-	1 176 199	682 624	54 401	-	737 026	439 173
Community Assets	2 771 966	-	-	2 771 966	930 897	116 067	-	1 046 963	1 725 003
Recreation Grounds	1 740 532	-	-	1 740 532	566 148	81 945	-	648 093	1 092 439
Civil Buildings	543 189	-	-	543 189	199 327	17 618	-	216 945	326 243
Libraries	356 575	-	-	356 575	109 786	11 870	-	121 656	234 919
Parks & Gardens	41 070	-	-	41 070	21 184	1 764	-	22 949	18 122
Public Conveniences/Bathhouses	85 150	-	-	85 150	32 379	2 696	-	35 076	50 075
Land Strip	5 449	-	-	5 449	2 072	173	-	2 244	3 204
Lease Assets	-	-	-	-	-	-	-	-	-
Office Equipment	-	-	-	-	-	-	-	-	-
Heritage Assets	-	5 000	-	5 000	-	-	-	-	5 000
Vehicles	-	5 000	-	5 000	-	-	-	-	5 000
Other Assets	4 180 555	1 146 495	196 601	5 130 449	2 190 042	500 196	57 562	2 632 676	2 497 773
Motor Vehicles	1 298 622	734 465	-	2 033 087	577 100	261 308	-	838 408	1 194 679
Plant & Equipment	1 081 392	288 203	134 578	1 235 017	649 696	88 111	31 328	706 479	528 538
Office Equipment	458 992	43 061	7 890	494 163	236 810	61 886	7 495	291 201	202 962
Furniture & Fittings	214 535	20 523	7 822	227 236	143 003	16 166	7 386	151 783	75 453
Fire Engines	49 699	-	-	49 699	12 379	3 148	-	15 527	34 172
Computer Equipment	424 066	9 943	16 611	417 398	322 383	38 485	11 353	349 515	67 882
Refuse Tankers	549 766	-	-	549 766	248 671	31 092	-	279 763	270 003
Game	103 484	50 300	29 700	124 084	-	-	-	-	124 084
	37 083 031	17 756 349	205 536	54 633 844	8 952 164	1 469 866	64 967	10 357 062	44 276 782

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

10 PROPERTY, PLANT AND EQUIPMENT

GRAP 17 - Property, Plant and Equipment

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not recognise or measure all the Property, Plant and Equipment in accordance with the standard, including the following:

Land;
Property, Plant and Equipment financed by way of finance leases
Property, Plant and Equipment financed by way of provisions
Property, Plant and Equipment transferred as a result of the transfer of functions; and
Componentised infrastructure assets.

The municipality is currently in a process of identifying all Property, Plant and Equipment and have it valued in terms of GRAP 17 and it is expected that this process will be completed for inclusion in the 2011 financial statements. The Municipality is in the process of itemizing all infrastructure and community assets and will recalculate accumulated depreciation once this exercise has been completed by 30 June 2011. At present depreciation on these assets is calculated on an averaging basis whereby an average useful life has been estimated for each category of infrastructure and community assets, using global historical costs recorded in the accounting records.

The municipality therefore did not utilise the transitional provision in the following area:

- Review of useful life of item of PPE recognised in the annual financial statements.
- Review of the depreciation method applied to PPE recognised in the annual financial statements.
- Review of residual values of item of PPE recognised in the annual financial statements
- Impairment of non-cash generating assets.
- Impairment of cash generating assets.

**APPENDIX A - Unaudited
KAREEBERG LOCAL MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2010**

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 JUNE 2009	Correction	Balance at 30 JUNE 2009 Restated	Received during the period	Redeemed written off during the period	Balance at 30 JUNE 2010
ANNUITY LOANS									
DBSA	3.00%	Vehicles & Equipment Ref - K11, L23	31/12/2009	78 843	-	78 843	-	78 843	-
Total Annuity Loans				78 843	-	78 843	-	78 843	-
TOTAL EXTERNAL LOANS				78 843	-	119 251	-	78 843	40 408

APPENDIX B - Unaudited
KAREEBERG LOCAL MUNICIPALITY
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2010

	Cost/Revaluation								Accumulated Depreciation				Carrying Value
	Opening Balance	Residual Value Opening Balance	Additions	Residual Value Additions	Revaluation	Disposals	Residual Value Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
Land and Buildings													
Land	11 387 075	599 320	-	-	-	-	-	11 986 394	-	-	-	-	11 986 394
Buildings	1 639 765	86 303	75 414	3 969	-	-	-	1 805 452	638 441	55 904	-	694 344	1 111 108
	13 026 840	685 623	75 414	3 969	-	-	-	13 791 847	638 441	55 904	-	694 344	13 097 502
Infrastructure													
Main: Roads	5 982 407	314 864	1 638 549	86 239	-	901	47	8 021 111	1 791 351	404 338	505	2 195 184	5 825 927
Main: Waste Management	12 432 765	654 356	712 500	37 500	-	-	-	13 837 121	281 104	651 610	-	932 714	12 904 407
Main: Electricity	1 872 917	98 575	-	-	-	-	-	1 971 492	1 117 247	89 473	-	1 206 720	764 772
Main: Water	9 915 321	521 859	539 294	28 384	-	-	-	11 004 859	2 081 154	520 278	-	2 601 432	8 403 427
Reservoirs/Pumps - Waste Management	10 738	565	1 001 956	52 735	-	-	-	1 065 993	10 463	11 557	-	22 020	1 043 973
Transformers, Switchgear and Meters	31 731	1 670	19 000	1 000	-	-	-	53 401	20 638	1 610	-	22 248	31 153
Reservoirs/Tanks - Water	1 117 389	58 810	-	-	-	-	-	1 176 199	737 026	54 401	-	791 427	384 772
	31 363 268	1 650 698	3 911 299	205 858	-	901	47	37 130 175	6 038 982	1 733 268	505	7 771 745	29 358 430
Community Assets													
Recreation Grounds	1 653 506	87 027	-	-	-	-	-	1 740 532	648 093	81 945	-	730 038	1 010 495
Community Halls	516 029	27 159	-	-	-	984	52	542 153	216 945	17 618	689	233 874	308 278
Libraries	338 747	17 829	-	-	-	-	-	356 575	121 656	11 870	-	133 527	223 049
Parks & Gardens	39 017	2 054	-	-	-	-	-	41 070	22 949	1 764	-	24 713	16 358
Clinics	80 893	4 258	-	-	-	-	-	85 150	35 076	2 696	-	37 772	47 378
Cemeteries	5 176	272	-	-	-	-	-	5 449	2 244	173	-	2 417	3 032
	2 633 368	138 598	-	18 August 2010	-	984	52	2 770 930	1 046 963	116 067	689	1 162 341	1 608 589
Heritage Assets													
Vehicles	4 750	250	-	-	-	-	-	5 000	-	-	-	-	5 000
	4 750	250	-	-	-	-	-	5 000	-	-	-	-	5 000
Total carried forward	47 028 226	2 475 170	3 986 714	250 235	-	1 885	99	53 697 952	7 724 386	1 905 238	1 194	9 628 430	44 069 522

APPENDIX B - Unaudited
KAREEBERG LOCAL MUNICIPALITY
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2010

	Cost								Accumulated Depreciation				Carrying Value -
	Opening Balance	Residual Value Opening Balance	Additions -	Residual Value Additions	Revaluation -	Disposals -	Residual Value Disposals	Closing Balance	Opening Balance	Additions -	Disposals	Closing Balance	
Total brought forward	47 028 226	2 475 170	3 986 714	250 235	-	1 885	99	53 697 952	7 724 386	1 905 238	1 194	9 628 430	44 069 522
Housing Rental Stock													
Housing Rentals	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
Leased Assets													
Office Equipment (Lease)	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
Biological Assets													
Game	124 084	-	38 700	-	14 550	3 100	-	174 234	-	-	-	-	174 234
	124 084	-	38 700	-	14 550	3 100	-	174 234	-	-	-	-	174 234
Other Assets													
Motor Vehicles	1 931 433	101 654	707 054	37 213	-	-	-	2 777 354	838 408	394 193	-	1 232 601	1 544 753
Plant & Equipment	1 173 266	61 751	35 962	1 893	-	23 216	1 222	1 248 434	706 479	101 119	11 641	795 957	452 477
Office Equipment	473 216	20 947	59 913	3 153	-	5 701	300	551 227	291 201	63 156	4 450	349 907	201 320
Furniture & Fittings	215 874	11 362	132 110	6 953	-	2 433	128	363 737	151 783	25 243	2 397	174 629	189 108
Fire Engines	47 214	2 485	-	-	-	553	29	49 117	15 527	3 148	516	18 158	30 959
Computer Equipment	396 528	20 870	30 467	1 604	-	9 595	505	439 368	349 515	18 942	9 595	358 862	80 506
Refuse Tankers	522 277	27 488	-	-	-	-	-	549 766	279 763	31 092	-	310 855	238 911
	4 759 808	246 557	965 505	50 816	-	41 498	2 184	5 979 003	2 632 676	636 891	28 599	3 240 968	2 738 034
Total Property, Plant and Equipment	51 912 118	2 721 726	4 990 918	301 051	14 550	46 484	2 283	59 851 189	10 357 062	2 542 129	29 793	12 869 398	46 981 790
Investment Property													
Land	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible Assets													
Computer Software	1 350	71	6 000	316	-	-	-	7 737	557	1 988	-	2 546	5 191
	1 350	71	6 000	316	-	-	-	7 737	557	1 988	-	2 546	5 191
Total	51 913 468	2 721 797	4 996 918	301 367	14 550	46 484	2 283	59 858 926	10 357 620	2 544 118	29 793	12 871 944	46 986 982

APPENDIX C - Unaudited
KAREEBERG LOCAL MUNICIPALITY
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT

		Cost							Accumulated Depreciation				Carrying Value	
		Opening Balance	Residual Value Opening Bal	Additions	Residual Value Additions	Revaluation	Disposals	Residual Value Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
Commonage	Budget & Treasury Office	874 223	46 012	-	-	-	-	-	920 235	6 987	537	-	7 524	912 711
Municipal Buildings	Budget & Treasury Office	11 984 627	630 770	-	-	-	1 634	86	12 613 677	663 483	56 935	1 339	719 079	11 894 598
Municipal Manager/Treasurer	Budget & Treasury Office	1 035 692	50 551	197 853	10 413	-	3 753	198	1 290 559	643 259	81 238	3 753	720 744	569 815
Library	Community & Social Services	699 240	36 802	100 461	5 287	-	13 647	718	827 425	294 970	63 036	12 359	345 646	481 779
Museum	Community & Social Services	73 164	3 851	-	-	-	107	6	76 902	42 696	8 082	107	50 671	26 231
Electricity Administrator	Electricity	2 350 038	123 686	19 629	1 033	-	135	7	2 494 243	1 450 076	140 428	135	1 590 369	903 875
General Expenditure of Council	Executive & Council	255	13	-	-	-	-	-	268	255	-	-	255	13
Health Service	Health	286 739	15 092	-	-	-	-	-	301 831	126 195	9 448	-	135 643	166 188
Fire Department	Public Safety	55 030	2 896	-	-	-	553	29	57 344	23 342	3 148	516	25 974	31 370
Public Works	Road Transport	239 787	12 620	111 000	5 842	-	6 334	333	362 583	154 650	36 995	5 373	186 272	176 311
Streets & Pavements	Road Transport	6 063 468	319 130	1 638 549	86 239	-	901	47	8 106 438	1 991 192	426 620	505	2 417 307	5 689 131
Licensing & Traffic	Road Transport	591 836	31 149	-	-	-	-	-	622 986	145 770	23 953	-	169 723	453 262
Nature Reserve	Sport & Recreation	151 899	1 464	38 700	-	14 550	3 100	-	203 513	18 091	1 391	-	19 482	184 031
Parks & Open areas	Sport & Recreation	1 652 311	86 964	-	-	-	-	-	1 739 275	652 463	81 149	-	733 612	1 005 662
Swimming Pool	Sport & Recreation	15 230	802	-	18 August 2010	-	-	-	56 440	9 914	760	-	10 674	45 766
Caravan Park	Sport & Recreation	11 202	590	-	-	-	-	-	11 791	4 857	373	-	5 230	6 561
Sewerage, Refuse & Cleansing	Waste Management	14 374 993	756 579	2 345 431	123 444	-	16 319	859	17 583 269	1 174 637	972 728	5 705	2 141 660	15 441 609
Water Provision	Water	11 452 383	602 757	539 294	28 384	-	-	-	12 622 818	2 954 225	635 308	-	3 589 533	9 033 285
TOTAL		51 912 118	2 721 726	4 990 918	260 643	14 550	46 484	2 283	59 891 597	10 357 062	2 542 129	29 793	12 869 398	47 022 198

APPENDIX C - Unaudited
KAREEBERG LOCAL MUNICIPALITY
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2010
GENERAL FINANCE STATISTICS CLASSIFICATION

	Cost/Revaluation								Accumulated Depreciation				Carrying Value
	Opening Balance	Residual Value Opening Bal	Additions	Residual Value Additions		Disposals	Residual Value Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
Executive & Council	255	13	-	-	-	-	-	268	255	-	-	255	13
Budget & Treasury Office	13 894 542	727 332	197 853	10 413	-	5 387	284	14 824 471	1 313 728	138 710	5 092	1 447 346	13 377 124
Corporate Services	-	-	-	-	-	-	-	-	-	-	-	-	-
Planning & Development	-	-	-	-	-	-	-	-	-	-	-	-	-
Health	286 739	15 092	-	-	-	-	-	301 831	126 195	9 448	-	135 643	166 188
Community & Social Services	772 404	40 653	100 461	5 287	-	13 755	724	904 327	337 666	71 118	12 467	396 317	508 010
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-
Public Safety	55 030	2 896	-	-	-	553	29	57 344	23 342	3 148	516	25 974	31 370
Sport & Recreation	1 830 642	89 819	38 700	-	14 550	3 100	-	1 970 611	685 326	83 673	-	768 999	1 201 612
Environmental Protection	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Management	14 374 993	756 579	2 345 431	123 444	-	16 319	859	17 583 269	1 174 637	972 728	5 705	2 141 660	15 441 609
Waste Water Management	-	-	-	-	-	-	-	-	-	-	-	-	-
Road Transport	6 895 092	362 900	1 749 549	92 082	-	7 235	381	9 092 006	2 291 612	487 568	5 878	2 773 302	6 318 704
Water	11 452 383	602 757	539 294	28 384	-	-	-	12 622 818	2 954 225	635 308	-	3 589 533	9 033 285
Electricity	2 350 038	123 686	19 629	1 033	-	135	7	2 494 243	1 450 076	140 428	135	1 590 369	903 875
	51 912 118	2 721 726	4 990 918	260 643	14 550	46 484	2 283	59 851 189	10 357 062	2 542 129	29 793	12 869 398	46 981 790

**APPENDIX D - Unaudited
KAREEBERG LOCAL MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2010
MUNICIPAL VOTES CLASSIFICATION**

2009 Actual Income R	2009 Actual Expenditure R	2009 Surplus/ (Deficit) R		2010 Actual Income R	2010 Actual Expenditure R	2010 Surplus/ (Deficit) R
5 415	(66 304)	(60 889)	Cemetery	5 670	(107 751)	(102 081)
693	(507 689)	(506 996)	Library	1 099	(603 737)	(602 638)
-	(95 361)	(95 361)	Museum	-	(36 306)	(36 306)
-	(29 207)	(29 207)	Corporate Services	-	(1 048 017)	(1 048 017)
4 053 098	(117 716)	3 935 383	Electricity Administration	4 793 857	(117 901)	4 675 956
-	(2 963 422)	(2 963 422)	Electricity Generation	-	(3 980 594)	(3 980 594)
-	(307 710)	(307 710)	Electricity Distribution	-	(285 419)	(285 419)
37 819 779	(20 966 090)	16 853 689	General Expenditure of Council	18 488 156	(16 419 050)	2 069 106
2 400	(1 177)	1 223	Official Housing	2 520	(1 173)	1 347
2 688 654	-	2 688 654	Property Rates	3 997 838	-	3 997 838
364 239	(160 124)	204 115	Commonage	387 120	(51 769)	335 351
41 180	(55 894)	(14 714)	Municipal Buildings	39 029	(137 307)	(98 278)
317 557	(4 867 418)	(4 549 861)	Municipal Manager/Treasurer	1 133 648	(5 598 257)	(4 464 609)
760	(11 426)	(10 666)	Health Service	-	-	-
-	(6 825)	(6 825)	Nursing Service	-	(20 170)	(20 170)
300	(47 197)	(46 897)	Air Port	300	(30 846)	(30 546)
-	(20)	(20)	Abattoir	-	(19)	(19)
-	(12 512)	(12 512)	Fire Department	-	18 August 2010	40 408
-	(23 626)	(23 626)	Civil Protection	-	(4 736)	(4 736)
160	(5 477)	(5 317)	Pound	1 090	(14 231)	(13 141)
1 010	(1 297 254)	(1 296 244)	Public Works	120	(1 894 236)	(1 894 116)
-	(304 737)	(304 737)	Streets & Pavements	-	(412 110)	(412 110)
17 820	(265 350)	(247 530)	Licensing & Traffic	7 420	(184 201)	(176 781)
10 400	(84 065)	(73 665)	Nature Reserve	38 700	(108 955)	(70 255)
700	(108 254)	(107 554)	Parks & Open areas	700	(191 846)	(191 146)
4 914	(55 231)	(50 317)	Swimming Pool	9 946	(72 954)	(63 008)
7 260	(4 736)	2 524	Caravan Park	3 090	(4 873)	(1 783)
-	-	-	Refuse	2 471 309	(2 156 320)	314 989
4 137 593	(3 385 791)	751 802	Sewerage & Cleansing	2 173 789	(1 924 465)	249 324
-	(267 564)	(267 564)	Water Distribution	-	(258 655)	(258 655)
2 951 849	(234 948)	2 716 902	Water Provision	3 301 174	(372 443)	2 928 731
52 425 781	(36 253 124)	16 172 657	Sub Total	36 856 574	(36 038 341)	858 642
-	999 248	999 248	Less Inter-Departmental Charges	-	1 349 605	1 349 605
52 425 781	(35 253 877)	17 171 904	Total	36 856 574	(34 688 736)	2 208 246

APPENDIX D - Unaudited
KAREEBERG LOCAL MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2010
GENERAL FINANCE STATISTIC CLASSIFICATIONS

2009 Actual Income R	2009 Actual Expenditure R	2009 Surplus/ (Deficit) R		2010 Actual Income R	2010 Actual Expenditure R	2010 Surplus/ (Deficit) R
37 819 778.54	(20 966 090)	16 853 689	Executive & Council	18 488 156	(16 419 050)	2 069 106
3 414 329.43	(5 131 830)	(1 717 500)	Budget & Treasury	5 560 455	(5 819 371)	(258 916)
-	(29 207)	(29 207)	Corporate Services	-	(1 048 017)	(1 048 017)
760.00	(18 251)	(17 491)	Health	-	(20 170)	(20 170)
6 108.40	(669 354)	(663 246)	Community & Social Services	6 769	(747 795)	(741 026)
160.00	(41 616)	(41 456)	Public Safety	1 090	(30 246)	(29 156)
23 274.00	(252 286)	(229 012)	Sport & Recreation	52 436	(378 628)	(326 192)
4 137 592.92	(3 385 791)	751 802	Waste Management	2 471 309	(2 156 320)	314 989
-	-	-	Waste Water Management	2 173 789	(1 924 465)	249 324
18 830.00	(1 867 341)	(1 848 511)	Road Transport	7 540	(2 490 547)	(2 483 007)
2 951 849.33	(502 511)	2 449 338	Water	3 301 174	(631 098)	2 670 076
4 053 098.38	(3 388 848)	664 251	Electricity	4 793 857	(4 383 914)	409 943
						-
52 425 781	(36 253 124)	16 172 657	Sub Total	36 856 574	(36 049 620)	806 954
-	999 248	999 248	Less Inter-Departmental Charges	-	18 August 2010 1 349 605	1 349 605
52 425 781	(35 253 877)	17 171 904	Total	36 856 574	(34 700 015)	2 156 559

APPENDIX E(1) - Unaudited
KAREEBERG LOCAL MUNICIPALITY
REVENUE AND EXPENDITURE
ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2010
MUNICIPAL VOTES CLASSIFICATION

	2010 Actual (R)	2010 Budget (R)	2010 Variance (R)	2010 Variance (%)	Explanation of Significant Variances greater than 10% versus Budget
REVENUE					
Property Rates	3 892 838	3 910 569	(17 731)	-0.45%	
Government Grants and Subsidies	17 803 112	28 091 000	(10 287 888)	-36.62%	Grants not spent
Fines	19 189	4 230	14 959	353.64%	
Third Party Payments	3 384	-	3 384	100.00%	
Property Rates - Penalties & Collection Charges	204 870	106 000	98 870	93.27%	
Service Charges	11 759 682	11 894 986	(135 304)	-1.14%	
Rental of Facilities and Equipment	446 335	405 480	40 855	10.08%	
Interest Earned - External Investments	1 743 469	1 323 000	420 469	31.78%	
Interest Earned - Outstanding Debtors	4 336	4 500	(164)	-3.65%	
Licenses and Permits	17 837	37 267	(19 430)	-52.14%	Licensing not functional
Agency Services	96 122	56 500	39 622	70.13%	
Other Revenue	860 956	5 637 780	(4 776 824)	-84.73%	Revenue forgone
Unamortised Discount - Interest	4 445	-	4 445	100.00%	18 August 2010
Total Revenue	36 856 574	51 471 312	(14 614 738)	-28.39%	
EXPENDITURE					
Cemetery	(107 751)	(108 371)	620	-0.57%	
Library	(603 737)	(622 500)	18 763	-3.01%	
Museum	(36 306)	(126 102)	89 796	-71.21%	
Corporate Services	(1 048 017)	(1 160 479)	112 462	-9.69%	
Electricity Administration	(117 901)	(144 700)	26 799	-18.52%	
Electricity Generation	(3 980 594)	(4 109 383)	128 789	-3.13%	
Electricity Distribution	(285 419)	(307 822)	22 403	-7.28%	
General Expenditure of Council	(16 419 050)	(29 437 287)	13 018 237	-44.22%	
Official Housing	(1 173)	(3 673)	2 500	-68.06%	
Property Rates	-	(5 620 342)	5 620 342	-100.00%	
Commonage	(51 769)	(73 913)	22 144	-29.96%	
Municipal Buildings	(137 307)	(135 606)	(1 701)	1.25%	
Municipal Manager/Treasurer	(5 598 257)	(4 608 041)	(990 216)	21.49%	Additional contribution to Pension fund
Nursing Service	(20 170)	(23 356)	3 186	-13.64%	
Air Port	(30 846)	(40 073)	9 227	-23.02%	
Abattoir	(19)	(524)	505	-96.37%	
Fire Department	18 August 2010	(15 632)	56 040	-358.50%	
Civil Protection	(4 736)	(36 827)	32 091	-87.14%	
Pound	(14 231)	(10 684)	(3 547)	33.20%	Not material
Public Works	(1 894 236)	(1 920 294)	26 058	-1.36%	
Streets & Pavements	(412 110)	(418 481)	6 371	-1.52%	
Licensing & Traffic	(184 201)	(199 668)	15 467	-7.75%	
Nature Reserve	(108 955)	(104 710)	(4 245)	4.05%	
Parks & Open areas	(191 846)	(189 897)	(1 949)	1.03%	
Swimming Pool	(72 954)	(61 847)	(11 107)	17.96%	Repair pump & more water usage
Caravan Park	(4 873)	(9 929)	5 056	-50.93%	
Refuse	(2 156 320)	(2 287 381)	131 061	-5.73%	
Sewerage & Cleansing	(1 924 465)	(2 389 625)	465 160	-19.47%	
Water Distribution	(258 655)	(240 052)	(18 603)	7.75%	
Water Provision	(372 443)	(519 310)	146 867	-28.28%	
Less Inter-Departmental Charges	1 349 605	1 465 704	(116 099)	-7.92%	
Total Expenditure	(34 688 736)	(53 460 805)	18 812 477	-35.19%	
SURPLUS / (DEFICIT) FOR THE YEAR	2 167 838	(1 989 493)	4 197 739	-211.00%	

APPENDIX E(1) - Unaudited
KAREEBERG LOCAL MUNICIPALITY
REVENUE AND EXPENDITURE
ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2010
GENERAL FINANCE STATISTIC CLASSIFICATIONS

	2010 Actual (R)	2010 Budget (R)	2010 Variance (R)	2010 Variance (%)	Explanation of Significant Variances greater than 10% versus Budget
REVENUE					
Property Rates	3 892 838	3 910 569	(17 731)	-0.45%	
Government Grants and Subsidies	17 803 112	28 091 000	(10 287 888)	-36.62%	Grants not spent
Public Contributions and Donations	-	-	-	100.00%	
Fines	19 189	4 230	14 959	353.64%	
Third Party Payments	3 384	-	3 384	100.00%	
Property Rates - Penalties & Collection Charges	204 870	106 000	98 870	93.27%	
Service Charges	11 759 682	11 894 986	(135 304)	-1.14%	
Rental of Facilities and Equipment	446 335	405 480	40 855	10.08%	
Interest Earned - External Investments	1 743 469	1 323 000	420 469	31.78%	
Interest Earned - Outstanding Debtors	4 336	4 500	(164)	-3.65%	
Licences and Permits	17 837	37 267	(19 430)	-52.14%	Licensing not functional
Agency Services	96 122	56 500	39 622	70.13%	
Other Revenue	860 956	5 637 780	(4 776 824)	-84.73%	Revenue forgone
Unamortised Discount - Interest	4 445	-	4 445	100.00%	18 August 2010
Total Revenue	36 856 574	51 471 312	(14 614 738)	-28.39%	
EXPENDITURE					
Executive & Council	(16 419 050)	(29 437 287)	13 018 237	-44.22%	
Budget & Treasury	(5 819 371)	(10 482 172)	4 662 801	-44.48%	
Corporate Services	(1 048 017)	(1 160 479)	112 462	-9.69%	
Health	(20 170)	(23 356)	3 186	-13.64%	
Community & Social Services	(747 795)	(856 973)	109 178	-12.74%	
Public Safety	(30 246)	(63 143)	32 897	-52.10%	
Sport & Recreation	(378 628)	(366 383)	(12 245)	3.34%	
Waste Management	(2 156 320)	(2 287 381)	131 061	-5.73%	
Waste Water Management	(1 924 465)	(2 389 625)	465 160	-19.47%	
Road Transport	(2 490 547)	(2 538 443)	47 896	-1.89%	
Water	(631 098)	(759 362)	128 264	-16.89%	
Electricity	(4 383 914)	(4 561 905)	177 991	-3.90%	
Less: Interdepartmental Charges	1 349 605	1 465 704	(116 099)	-7.92%	
Total Expenditure	(34 700 015)	(53 460 805)	18 760 790	-35.09%	
SURPLUS / (DEFICIT) FOR THE YEAR	2 156 559	(1 989 493)	4 146 052	-208.40%	

APPENDIX E (2) - Unaudited
KAREEBERG LOCAL MUNICIPALITY
ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2010
ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT
MUNICIPAL VOTES CLASSIFICATION

	2010 Actual	2010 Under Construction	2010 Total Additions	2010 Budget	2010 Variance	2010 Variance	Explanation of Significant Variances greater than 5% versus Budget
	R	R	R	R	R	%	
Municipal Manager/Treasurer	208 267	-	208 267	-	208 267	100.00%	Furniture & Electronic equipment
Library	105 749	-	105 749	-	105 749	100.00%	Computers & extension of building
Electricity Administration	20 662	-	20 662	-	20 662	100.00%	Transformer required
Public Works	116 842	-	116 842	200 000	(83 158)	-41.58%	
Streets & Pavements	1 724 789	-	1 724 789	1 422 000	302 789	21.29%	Additional roads tarred & paved
Nature Reserve	38 700	-	38 700	-	38 700	100.00%	Game increase (own breeding)
Parks & Open areas	-	-	-	4 500 000	(4 500 000)	-100.00%	
							Additional pipeline, pump station
Sewerage, Refuse & Cleansing	2 468 875	-	2 468 875	500 000	18 August 2010	8.08%	enlargement of collective drains, vehicles
							Additional bore holes and desalination
Water Provision	567 678	-	567 678	-	567 678	100.00%	plant
Total	5 291 969	-	5 291 969	6 622 000	(3 298 906)	-49.82%	

APPENDIX E (2) - Unaudited
KAREEBERG LOCAL MUNICIPALITY
ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2010
ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT
GENERAL FINANCE STATISTIC CLASSIFICATIONS

	2010 Actual	2010 Under Construction	2010 Total Additions	2010 Budget	2010 Variance	2010 Variance	Explanation of Significant Variances greater than 5% versus Budget
	R	R	R	R	R	%	
Budget & Treasury	208 267	-	208 267	-	208 267	100.00%	Furniture & Electronic equipment
Community & Social Services	105 749	-	105 749	-	105 749	100.00%	Computers & extension of building
Sport & Recreation	38 700	-	38 700	4 500 000	(4 461 300)	-99.14%	Game increase (own breeding)
Waste Management	2 468 875	-	2 468 875	-	2 468 875	100.00%	Additional pipeline, pump station
Waste Water Management	-	-	-	500 000	(500 000)	-100.00%	enlargement of collective drains, vehicles
Road Transport	1 841 631	-	1 841 631	1 622 000	219 631	13.54%	Additional roads tarred & paved
Water	567 678	-	567 678	-	567 678	100.00%	Additional bore holes and desalination
Electricity	20 662	-	20 662	-	20 662	100.00%	plant
Total	5 251 561	-	5 251 561	6 622 000	18 August 2010	0.61%	Transformer required

APPENDIX F - Unaudited
KAREEBERG LOCAL MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grant Description	Balance 1 JULY 2009	Correction of error	Restated balance 30 JUNE 2009	Contributions during the year	Interest on Investments	Other Income	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Balance 30 JUNE 2010
	R	R	R	R	R	R	R	R	R
UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS									
Job Creation De Bult	31 907	-	31 907	-	1 202	-	-	-	33 109
Land Development	53 644	-	53 644	-	1 272	-	-	-	54 916
Civil Defence	15 846	-	15 846	-	635	-	-	-	16 481
Job Creation	10 889	-	10 889	-	436	-	-	-	11 325
Department of Economic Affairs	-	-	-	-	-	15 000	15 000	-	-
Self Build Project	127 315	-	127 315	-	1 958	-	-	-	129 274
Geotechnical Investigation	5 610	-	5 610	-	321	-	-	-	5 931
Water Assistance	71 281	-	71 281	-	1 486	-	-	-	72 767
Development Bank	-	-	-	-	-	45 375	45 375	-	-
TV Fund	10 099	-	10 099	-	27	-	-	-	10 126
CMIP Kwaggakolk(VAT)	188 246	-	188 246	-	2 895	-	-	-	191 142
MSIG	1 344	-	1 344	-	-	1 300 000	685 217	196 290	419 838
MIG Sanitation	5 058 293	-	5 058 293	-	-	-	771 493	4 286 800	-
Sanitation - sewerage	6 761 550	-	6 761 550	-	18 August 2010	-	1 497 818	43 706	5 260 434
Electricity	113 870	-	113 870	-	1 406	-	54 823	-	60 454
Water Service Plan	53 251	-	53 251	-	528	14 033	64 751	-	3 061
CMIP - Saaipoort project 301	3 357	-	3 357	-	3	-	-	-	3 359
Library Development Projects	179 974	-	179 974	-	4 587	334 000	222 169	110 749	185 643
Paving Projects	22 034	-	22 034	-	59	-	-	-	22 092
Lotto Carnarvon	1 699	-	1 699	-	1	-	-	-	1 700
Lotto Vosburg	29 553	-	29 553	-	335	-	-	-	29 888
Copperton pipeline	-	-	-	-	-	165 000	165 000	-	-
VWV Housing VAT	85 675	-	85 675	-	1 318	-	-	-	86 993
VB Housing VAT	36 496	-	36 496	-	65	-	28 500	-	8 061
Mun.Fin.Management Grant	173 350	-	173 350	-	-	750 000	857 244	-	66 107
Transfer Fees Sub-Econ	107 761	-	107 761	-	4 673	-	-	-	112 434
Cleaning Project Vosburg	23 824	-	23 824	-	64	-	-	-	23 887
Vanwyksvlei Drought Relief Func	30 451	-	30 451	-	345	-	-	-	30 796
VAT - Retention	11 056	-	11 056	-	30	-	-	-	11 085
Carnarvon Waste Management	21 056	-	21 056	-	56	-	8 596	-	12 515
Sport Development	-	-	-	-	-	-	-	-	-
VWV Short Term Water Provision	317 951	-	317 951	-	-	-	156 070	161 881	-
VWV Drought Relief (R 2.1mil)	1 379 974	-	1 379 974	-	-	-	436 542	405 797	537 636
MIG upgrading of streets	1 063 096	-	1 063 096	-	-	-	1 063 096	-	-
Kareeberg Festival	50 019	-	50 019	-	238	11 989	62 246	-	-
MIG	-	-	-	-	-	5 778 000	41 472	-	5 736 528
Total Receipts	16 040 469			-	23 941	8 413 397	6 175 411	5 205 223	13 137 581

**APPENDIX F - Unaudited
KAREEBERG LOCAL MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003**

Job Creation De Bult

Council of Representatives	Job creation at De Bult - Carnarvon
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Land Development

Department of Housing and Local Government	Development Plans (IDP)
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Civil Defence

Provincial Administration	Civil Defence
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Contribution Sport Development

Provincial Administration	Vanwyksvlei sport development
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Self Build Project

Department of Housing and Local Government	Housing projects- Vanwyksvle
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Geotechnical Investigation

Department of Housing and Local Government	Geotechnical Investigation - Vanwyksvle
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Water Assistance

Provincial Administration	Water Assistance - Vanwyksvlei
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TV Fund

Ninham Shand	TV Transmitter Vanwyksvle
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CMIP Kwaggakolk (VAT)

SARS	VAT Water Project - Vanwyksvlei
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MSIG

DORA - National Treasury	Annual allocation according to DORA
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MIG Sanitation

DORA - National Treasury	Eradication of Buckets
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Electricity

Eskom	Schietfontein electrification (DM)
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Water Service Plan

Department of Water Affairs and Forestry	Water service plan projects
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CMIP - Saaipoort project 301

**APPENDIX F - Unaudited
KAREEBERG LOCAL MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003**

DORA - National Treasury	Saaipoort bore hole water project - Carnarvor
<u>Library Development Projects</u>	
Department of Sports, Arts and Culture	Development and upgrading of libraries
<u>Paving Projects</u>	
Department of Public Works	EPWP (Extended Public Works Program)
<u>Lotto Carnarvon</u>	
LOTTO	Erection of Sport facilities
<u>Lotto Vosburg</u>	
LOTTO	Erection of Sport facilities
<u>VWV Housing VAT</u>	
SARS	Housing Projects - Vanwyksvlei
<u>VB Housing VAT</u>	
SARS	Housing Projects - Vosburg
<u>Municipal Finance Management Grant</u>	
DORA - National Treasury	Annual allocation according to DORA.
<u>Transfer Fees Sub-Econ</u>	
Council of Representatives	Transfer fees of Sub-Economic Houses
<u>Cleaning Project Vosburg</u>	
Vosburg Municipality	Cleaning Project - Vosburg
<u>Vanwyksvlei Drought Relief Fund</u>	
Department of Water Affairs and Forestry	Drought Relief - Vanwyksvlei
<u>VAT - Retention</u>	
SARS	VAT money - General